



Doing Business in Turkmenistan: 2010 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Turkmenistan

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Market Overview

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Turkmenistan is about the size of California and has an estimated population of five million people. It gained independence in 1991 after the breakup of the Soviet Union. Turkmenistan does not publish national statistics consistent with international standards. The country's GDP in 2009 was \$16.24 billion according to official government reports. Turkmenistan continues to be a major producer of natural gas among the countries of the former Soviet Union. The country produced about 34 billion cubic meters of natural gas in 2009. In 2008, Turkmenistan's foreign trade totaled around \$17.6 billion, \$11.9 billion of which consisted of exports. The dominant share of Turkmenistan's exports was natural gas sales to Russia. Other key sectors were oil, refined oil products, and textiles. U.S. direct investment in 2005 was \$40 million (no statistics are available for subsequent years). The Government does not acknowledge an unemployment problem, which could be as high as 50% of the labor force. Market reforms in Turkmenistan have been minimal and extremely slow.

The country has been pursuing a policy of providing substantial Government subsidies to the general public, as well as to specific sectors such as agriculture. President Berdimuhamedov, elected in 2007, has promised to open up the country and improve the investment climate. Turkmenistan does not have private ownership of land and most of its industries are state-owned. The domestic private sector's share of the economy is estimated at around 25%, with retail trade and services being the only sectors in which private ownership is permitted. A limited number of foreign petroleum companies successfully operate under production sharing agreements (PSAs). Turkmenistan's economy is centrally managed and many business decisions are politically motivated. Turkmenistan maintained an inflation rate at around 10-12% per year for the last several years. The Government of Turkmenistan redenominated its national currency – the manat – at the beginning of 2009. Following the redenomination, the value of one new manat was equivalent to 5,000 old manat. As of January 1, 2010, old manat are no longer accepted as legal tender; old manat can still be exchanged for new manat at State-owned banks during 2010.

Turkmenistan has maintained a very stable political environment since independence in 1991. The country has a single-party political system, with the President being both the Head of State and the head of Government. Current President, Gurbanguly

Berdimuhamedov was elected in 2007. Presidential decrees and resolutions can supersede existing legislation. Attempts are being made to reform current legislation in accordance with international standards and to eliminate current discrepancies between laws.

Market Challenges

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Turkmenistan's challenges are very similar to those of other former Soviet Union countries. The country lacks consistent and transparent business legislation. Laws and regulations are subject to frequent change and contradictory interpretations by various Government agencies and officials. The judiciary branch operates under direct instruction from the President. Presidential decrees and resolutions have the force of law and frequently supersede existing legislation. Corruption exists at all levels of the Government. Qualified human resources, particularly with English language skills, are extremely scarce. Turkmenistan's labor force generally lacks knowledge of standard western business practices.

Market Opportunities

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The hydrocarbon sector is the country's largest industry. Opportunities exist for oil and gas service providers and related service companies, such as freight forwarders and logistics firms. Turkmenistan attempts to maximize value for its oil and gas and invests substantially in petroleum refining and processing facilities. It has several LPG plants and plans to build more. With the development of new gas and oil fields and the rehabilitation of old fields, there is a need for new pipeline networks and related infrastructure, such as compressor stations. Many lucrative prospects have opened up for engineering and construction companies with the country's ambitious plans to invest in new transportation infrastructure and social projects. There is a growing need for various telecommunications services and equipment, including mobile communications and the Internet.

Market Entry Strategy

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Entering the market is extremely difficult. Due to a lack of accurate and comprehensive information on the market, company assessment visits are useful. Identifying and working through a local partner or agent is vital for a successful entry. Turkmenistan's visa procedures are exceptionally cumbersome and confusing.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/35884.htm>

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Using an Agent or Distributor

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Distribution of equipment, spare parts and consumables for Turkmenistan's major industries, such as oil and gas, power generation, railway and air transportation, telecommunications is state-controlled. However, the Government of Turkmenistan does not have a centralized procurement and distribution agency. Individual ministries and state companies procure for their needs via the tender process. Announcements are made in the local press in the Russian and Turkmen languages, as well as on some websites. Agencies in the state-controlled oil and gas sector post tenders (in Russian) on the Internet at <http://www.oilgas.gov.tm/tendry.html>. Producers of large equipment sell their goods in Turkmenistan by establishing an office or through a locally established distributor. Most such distributors provide repair and maintenance services.

Pharmaceuticals, food items and consumer goods are almost exclusively sold through private channels. Distributorships for these products are numerous. Often such distributors are foreign-based. Finding a reliable distributor is challenging because of a lack of reliable information on private companies. Turkmenistan's Chamber of Commerce and Industry may provide leads for local partners and help identify potential partners for U.S. firms. Contact: Turkmenistan Chamber of Commerce, Ms. Elmira Rahmanova Tel. (993 12) 35 47 17 Fax (993 12) 35 13 52. E-mail mission@online.tm Website <http://www.cci.gov.tm/>

The laws regulating establishment of an office are the Law on Enterprises, the Civil Code of Saparmurat Turkmenbashy, and the Law on Corporations (joint stock companies). A foreign investor can establish a

- Representative office
- Branch
- Individual enterprise with 100% foreign capital
- Joint venture (JV)

A representative office has been defined as a separate division of a legal entity, located at a different location than the registered address of the legal entity, which protects and represents the legal entity's interests, and/or concludes contracts and conducts other legal acts on the legal entity's behalf.

A branch has been defined as a separate division of a legal entity, located at a different location than the registered address of the legal entity, that undertakes all or a part of the functions of the legal entity, including representation functions. Representative offices and branches are not legal entities. They operate within regulations set by the legal entities that formed them. Heads of representative offices and branches operate on the basis of powers of attorney. Requirements for establishing a representative office:

1. An application to establish a representative office signed by an authorized company official. Include intended line(s) of business in Turkmenistan and information on the investor with an overview of the investor's activities.
2. A decision to establish a representative office signed by an authorized company official.
3. Two copies of the charter of the representative office, in Turkmen and Russian, signed by an authorized company official.
4. A personal information form for the head of the representative office in Turkmenistan with a 3x4 cm photo and copy of the passport.
5. A duly certified power of attorney for the head of the representative office in Turkmenistan.
6. An authenticated copy of the foreign investor's charter notarized by a Consulate or Embassy of Turkmenistan overseas, or by the Ministry of Foreign Affairs of Turkmenistan.
7. An original transcript of the foreign investor's official registration, issued by the foreign investor's national registration agency. The transcript should be authenticated (notarized) by a Consulate or Embassy of Turkmenistan overseas, or by the Ministry of Foreign Affairs of Turkmenistan.
8. An original foreign investor's financial status report (the bank statement should be authenticated (notarized) by a Consulate or Embassy of Turkmenistan overseas, or by the Ministry of Foreign Affairs of Turkmenistan.

9. Written confirmation from a provincial Government or Ashgabat City Government of a legal address.
10. Registration fee payment receipt.

Requirements for establishing a branch:

1. An application to establish a branch signed by an authorized company official. Include intended line(s) of business in Turkmenistan and information on the investor with an overview of the investor's activities.
2. A decision to establish a branch signed by an authorized company official.
3. Two copies of the charter of the branch, in Turkmen and Russian, signed by an authorized company official.
4. A personal information form for the head of the branch in Turkmenistan with a 3x4 cm photo and a copy of the passport.
5. Duly certified power of attorney for the head of the branch in Turkmenistan.
6. An authenticated copy of the foreign investor's Charter (notarized by a Consulate or Embassy of Turkmenistan overseas or by the Ministry of Foreign Affairs of Turkmenistan).
7. An original transcript of the foreign investor's official registration, issued by the foreign investor's national registration agency. The transcript should be authenticated (notarized) by a Consulate or Embassy of Turkmenistan overseas, or by the Ministry of Foreign Affairs of Turkmenistan.
8. An original foreign investor's financial status report (bank statement).
9. Written confirmation from a provincial Government or the Ashgabat City Government of a legal address.
10. Registration fee payment receipt.

Requirements for establishing a joint venture:

1. An application to establish a joint venture signed by authorized company officials. Include intended line(s) of business in Turkmenistan and information on the investor with an overview of its activities.
2. A protocol to establish a joint venture signed by authorized company officials.
3. Articles of Incorporation and two copies of the Charter, in Turkmen and Russian, signed by authorized company officials.
4. An economic feasibility assessment (investment project) of the joint venture signed by authorized company officials.
5. A personal information form for the head of the joint venture in Turkmenistan with a 3x4 cm photo and copy of the passport.
6. An authenticated copy of the foreign investor's charter (notarized by a Consulate or Embassy of Turkmenistan overseas or by the Ministry of Foreign Affairs of Turkmenistan).
7. An original transcript of the foreign investor's official registration, issued by the foreign investor's national registration agency. The transcript should be authenticated (notarized) by a Consulate or Embassy of Turkmenistan overseas, or by the Ministry of Foreign Affairs of Turkmenistan.
8. An original foreign investor's financial status report (bank statement) authenticated (legalized) by a Consulate or Embassy of Turkmenistan overseas, or by the Ministry of Foreign Affairs of Turkmenistan.

9. Written confirmation from a provincial Government or the Ashgabat Municipality of a legal address.
10. A document confirming the payment of 50% of the charter capital of the joint venture
11. Registration fee payment receipt.

Turkmenistan joint venture participants will also have to submit:

1. A copy of the Charter, Certificate of State Registration and transcript from the Unified State Register of Legal Entities.
2. For state enterprises: a decision of the Cabinet of Ministers of Turkmenistan.
3. For Turkmenistan physical persons: Personal information form with a 3x4 cm photo and copy of the passport.

For all types of offices Documents should be submitted as originals in the language of the investor's country with stamps (facsimile copies not accepted), with Turkmen and Russian translations. Translation texts should be certified by the entity that translated the documents. Representative offices and branches are registered for two years, with the right to extend registration. Registration at Turkmenistan's Main State Tax Service and the Local Statistics Office may also be required. A foreign company seeking to establish an office in Ashgabat may rent space in business centers or hotels, or in a building that belongs to a state organization or state/private enterprise. After a company has chosen office space, it must apply to the local Government for approval of its legal address.

Franchising

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There is only one franchise in Turkmenistan -- Coca-Cola. Small consumer capacity and an underdeveloped private sector make the franchising concept unlikely to thrive in the foreseeable future.

Direct Marketing

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Elements of direct marketing exist, but this approach is not common.

Joint Ventures/Licensing

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Joint ventures can principally be established in the form of a corporation (also referred to in Turkmenistan as a "joint-stock company") or partnership (also known as a "business society"). Article 29 of the Law on Enterprises defines business societies as associations of two or more individuals and/or individuals [established] to conduct joint activities. Article 1 of the Law on Corporations classifies corporations as companies, in which capital contributions by physical and/or legal entities are combined as charter capital, which is divided into a certain number of shares certifying contractual rights of shareholders of the corporation. Corporations can be close-ended or open-ended (public). Registration and activities of corporations are regulated mostly by the Law on

Corporations, Law on Foreign Investment in Turkmenistan and Law on Investment Activity in Turkmenistan.

The Law on Enterprises and the Law on Corporations provide for acquisitions and mergers. However, Turkmenistan's legislation is not clear about such activities involving foreign parties, nor does it have specific provisions for disposition of interests in business enterprises, both local and those involving foreign participation. Government approval is necessary for acquisitions and mergers of certain enterprises, specifically those with state shares. The Law on Licensing Certain Types of Activities lists the kinds of business that are subject to licensing and governs the licensing process. The law lists over 60 activities. There is not a comprehensive licensing agency; licenses should be obtained from the relevant authorized Government agencies. Licenses are generally not issued for less than three years. Oil and gas production and exploration licenses are issued by the State Agency for the Management and Use of Hydrocarbon Resources for 20-25 years. Below is the list of main business activities subject to licensing:

1. Oil and gas exploration and production
2. Oil and gas processing
3. Design, construction, maintenance and operation of trunk petroleum pipelines and power transmission lines
4. Production, transmission and distribution of electricity
5. Design and construction of buildings and facilities
6. Production of construction materials
7. Transportation and freight forwarding services
8. Banking
9. Insurance
10. Auditing
11. Legal counseling
12. Quality and product certification
13. Healthcare services and production and sale of pharmaceuticals
14. Import, production and sale of alcohol and tobacco
15. Telecommunications
16. Tourism
17. Trade

Selling to the Government

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Turkmenistan's economy is dominated by the state-owned sector. In 2002, the country introduced unified tender rules for all public entities. The rules apply to procurement of both goods and services, including construction projects. The tender rules permit closed tenders. Turkmenistan does not have a centralized body that procures for all entities, and individual Government agencies and state-owned companies conduct their own tenders. Comparable goods are often purchased at different prices by different organizations. The tender processes are not transparent, and falsification of bids and cancellation of tender results are commonplace. Companies with a strong market presence or in good standing with the Government have a higher chance of being selected. Very often the determining factor in awarding contracts is price, not value. The prices of tender winners need to be approved by the State Commodity and Raw Materials Exchange. Announcement of most open tenders is made only in local mass

media in the Turkmen and/or Russian languages, as well as on certain websites. Turkmenistan's Program of Strategic Areas of Political, Economic and Cultural Development until the Year 2020 and Turkmenistan's Oil and Gas Industry Development Program for the Period until the Year 2030 provide a general idea of Turkmenistan's strategic development plans for specific industries.

Distribution and Sales Channels

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Because of the country's geographic location, routes for transporting products to Turkmenistan are limited. One of the main entry points is the port of Turkmenbashy on the Caspian Sea, located 270 kilometers (170 miles) east of and across the Caspian from Baku, Azerbaijan. Turkmenbashy is an important gateway to Central Asia and is an import and export center for a variety of products. The port has a cargo ferry terminal (there is a ferry service to and from Baku) and a port facility. Large volumes of commercial cargo are shipped by truck via Iran. There are several road border crossing points at the Iranian border at Gudriolum, Gowdan, Artyk and Saragt and one rail crossing at Saragt. Iran and Turkmenistan have different railroad gauges and cars have to be switched to a new gauge at the Saragt rail station in Turkmenistan.

Turkmenistan has a number of rail links with Uzbekistan in the north and north-east, but rail and road crossings at Turkmenabat are the most heavily used. Trucks coming to and from Uzbekistan have to cross the Amu Darya River by pontoon bridge. There is a limited capability for cross-boundary deliveries by trucks with Kazakhstan via Bekdash in the north-west. The road is in a very poor condition, but there are plans to rebuild it. The bulk of air cargo comes via Ashgabat airport, although there are airports in all provincial centers. Airports in Ashgabat and Turkmenabat can handle heavy aircraft. Most cargo transportation within the country is by truck. Turkmenbashy City, Balkanabat, Mary City and to a lesser extent Ashgabat are the main destinations for heavy industrial equipment and supplies, while Ashgabat is the major destination for most retail, food and other consumer products.

Selling Factors/Techniques

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Food items in Turkmenistan need to be labeled in Turkmen and/or Russian, although Turkish, Persian and Arabic labeling is not uncommon. Home appliances and electronics are almost exclusively labeled in English. However, providing instructions and operational menus in Russian is preferable.

Electronic Commerce

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Electronic commerce does not exist in Turkmenistan.

Trade Promotion and Advertising

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While printed ads and commercials are used on a limited basis, radio advertisements are uncommon. Most advertising is visual (billboards, cardboard, stickers and various memorabilia). Entities not registered in Turkmenistan are not allowed to place ads in the press or air commercials on TV. The most commonly used language for advertising is Turkmen.

Pricing

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Turkmenistan's Value Added Tax (VAT) is 15%.
There is a customs duty for importing about 100 types of merchandise. See Chapter 5: Trade Regulations and Standards for information on excise taxes and customs duties.

Sales Service/Customer Support

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After sales service and customer protection are becoming increasingly important for sales of home appliances, electronics, furniture and cars. Customers, especially in larger cities like Ashgabat, expect delivery, installation and warranties for such products. However, a "no-refund" policy still dominates the market for items like clothing.

Protecting Your Intellectual Property

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Several general principles are important for effective management of intellectual property rights in Turkmenistan. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Turkmenistan than in the U.S. Third, rights must be registered and enforced in Turkmenistan, under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Embassy in Turkmenistan can often provide a list of local lawyers upon request. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Turkmenistan. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors.

While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppels, or unreasonable delay in prosecuting a law suit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case. It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Keep an eye on your cost structure and reduce the margins (and the incentive) of

would-be bad actors. Projects and sales in Turkmenistan require constant attention. Work with legal counsel familiar with Turkmenistan laws to create a solid contract that includes non-competition clauses, and confidentiality/non-disclosure provisions. It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Turkmenistan or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IPR Resources A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: 1-866-999-HALT or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: 1-800-786-9199.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: 1-202-707-5959.
- For US small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- For an in-depth examination of IPR requirements in specific markets, toolkits are currently available in the following countries/territories: Brazil, Brunei, China, Egypt, European Union, India, Italy, Malaysia, Mexico, Paraguay, Peru, Russia, Taiwan, Thailand, and Vietnam.

- For assistance in developing a strategy for evaluating, protecting, and enforcing IPR, use the free Online IPR Training Module on www.stopfakes.gov.

- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Turkmenistan at: <http://www.buyusa.gov/kazakhstan/en/>.

IPR Climate in Turkmenistan Turkmenistan has yet to fulfill many of the commitments it made concerning IPR in its 1993 bilateral trade agreement with the U.S. Turkmenistan has yet to join the Berne Convention for the Protection of Literary and Artistic Works, the Geneva Phonograms Convention, the World Trade Organization (and with it TRIPS), the WIPO Copyright Treaty (the "WCT"), or the WIPO Performances and Phonograms Treaty (the "WPPT"). Thus, foreign works and sound recordings are unprotected in Turkmenistan - not only as a matter of practice, but as a matter of law. The United States is concerned at this apparent policy decision to deny even the most minimal levels of protection of foreign copyrighted works. The Turkmenistan copyright law is not in compliance with TRIPS, the WCT and the WPPT. This would include, among other things, protection of foreign works and pre-existing works, increasing penalties for infringement to deterrent levels, and providing ex officio authority to Customs to seize illegal materials and commence investigations.

Due Diligence

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Due diligence is extremely difficult to carry out in Turkmenistan. Turkmenistan does not have company disclosure requirements and companies in most cases do not publish their annual financial statements. The Government does not maintain or publish lists of businessmen or companies that are known to have violated tax, environmental or other laws. The country also does not have a professional business press that covers the market or provides company reports. Hiring a local professional may help with collecting some official data and anecdotal information on the ground.

Local Professional Services

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DISCLAIMER: The U.S. Embassy in Ashgabat, Turkmenistan assumes no responsibility or liability for the professional ability or the quality of services provided by the following persons or firms. Names are listed alphabetically, and the order in which they appear has no other significance. Prospective clients need to request professional credentials and areas of expertise directly from the lawyers.

Niyazov District State Legal Office 17, Mezhlauka Street, Ashgabat, Turkmenistan, 744001 Tel: (993-12) 36-06-12, 36-06-61 Lawyers provide all types of services, do not speak English.

Kopetdag District State Legal Office 62, Alisher Navoi Street, Ashgabat, Turkmenistan, 744000 Tel: (993-12) 39-54-94, 39-54-92, 39-54-95, 39-54-96. Lawyers provide all types of services, do not speak English.

Azatlyk District State Legal Office 25/22, Turkmenbashy Street, Ashgabat, Turkmenistan, 744004 Tel: (993-12) 35-51-14, 35-51-07. Lawyers provide all types of services, do not speak English.

Private Law Firms: "Medet Ltd." provides all kinds of legal services to companies engaged in investment and commercial activities in Turkmenistan. Contact info: Hotel "Turkmenistan" # 200, Bitarap Turkmenistan Street # 19, Ashgabat, Turkmenistan 744000, Tel: (993-12) 35-73-75, Fax: (993-12) 35-74-74.

Ashgabat Consulting Team (ACT) This firm provides information on doing business in Turkmenistan, registering foreign companies and investment projects, and arranging necessary licenses. It can also provide market research, economic consultations, logistical procurement services, and business tour services. English-speaking lawyers provide translations and notarizations of documents Tel./Fax: +993 12 35-7618/19/20.

Web Resources

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<http://www.turkmenistan.ru/>
<http://turkmenistaninfo.ru/>
<http://www.oilgas.gov.tm/>
<http://www.turkmenbusiness.org/> <http://www.cci.gov.tm/>

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Chapter 4: Leading Sectors for U.S. Export and Investment

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Commercial Sectors

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Oil and Natural Gas Production

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	2008	2009	2010 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

* No statistics available.

Turkmenistan has rich oil and gas resources. In previous years, the Government of Turkmenistan estimated its resource base to be approximately 45 billion tons of oil equivalent, including 18 billion tons in the Caspian. International estimates have, however, reflected varying figures. The BP Statistical Review of World Energy 2009 indicated Turkmenistan had 100 million tons of proven oil reserves and 7.94 trillion cubic meters (tcm) of gas. A 2008 audit conducted by the British firm Gaffney, Cline and Associates concluded that the three most significant gas fields in the country, Yoloten, Osman, and Yashlar, hold between 4.25 and 15.5 trillion cubic meters of natural gas. In 2009, Turkmenistan reportedly produced about 10 million tons of oil and 34 billion cubic meters of gas of which about 15 billion cubic meters were exported. The sharp decrease in gas production and export in comparison with 2008 took place because exports of Turkmen gas to Russia stopped on April 9, 2009 following a blast on the Central Asia - Center gas pipeline. Gas exports to Russia resumed at a reduced level in January 2010.

Best Prospects/Services

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Modern geological exploration technologies; seismic imaging software; drilling equipment and pipes; field development equipment, well rehabilitation services; offshore production equipment and services.

Opportunities

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Exploration and development of gas and natural gas liquids fields, especially Southern Yoloten, Osman, Minara Tagtabazar-I and Central Karakum group of fields. Construction of gas treatment and processing units at above mentioned fields, offshore blocks

Resources

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<http://www.gasandoil.com/>
<http://www.oilgas.gov.tm/>

Oil and Natural Gas Refining

Overview

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	2008	2009	2010 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

* No statistics available.

There are two oil refineries in Turkmenistan -- in Turkmenbashy and Seydy. The Turkmenbashy oil refinery has a capacity of 6 million tons per year, with plans to increase capacity to 9 million tons by 2011. The refinery produces a range of products, including unleaded gasoline, petroleum coke, laundry detergent, hydro treated diesel and lube oil. The country produces 83,000 tons of propane and polypropylene per year and around 412,000 (year 2008 data) tons of LPG per year.

Best Prospects/Services

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Oil and oil products storage reservoirs; various modern oil and gas processing units; gas-to-liquid fuel equipment.

Opportunities

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Oil and oil products storage reservoirs; various modern oil and gas processing units; gas-to-liquid fuel equipment

Resources

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<http://www.gasandoil.com/>

<http://www.oilgas.gov.tm/>

Power Generation

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	2008	2009	2010 (estimated)
Total Market Size	*	*	*
Total Local Production	*	15 billion kilowatt-hours	*
Total Exports	*	2,3 billion kilowatt-hours	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

* No statistics available.

Power is generated by seven gas fired power stations: Mary (southern Turkmenistan), Turkmenbashi and Balkanabat (both in western Turkmenistan), Abadan (central Turkmenistan), Seydy (eastern Turkmenistan), Ashgabat, Dashoguz (Northern Turkmenistan) and one hydroelectric station Hindigush (southern Turkmenistan). Total existing generation capacity equals 3,341 MW. Three new power plants are under construction. Their total capacity will be 763 MW. In 2009, Turkmenistan produced about 15 billion kilowatt-hours, of which about 2.3 billion kilowatt-hours were exported to Afghanistan, Iran, Turkey, and Tajikistan.

Best Prospects/Services

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Power generating equipment; transformers; transmission dispatch; data control equipment; switchgear.

Opportunities

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Turkmenabat – Mazar-i-Sharif, Afghanistan 500 KV line; Mary – Iran 400 KV line; renovation of the Mary Power Station

Resources

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<http://minenergo.gov.tm>

Travel and Tourism

Overview

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	2008	2009	2010 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

* No statistics available.

Best Prospects/Services

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Previously neglected, the tourism industry is now a priority for the Government of Turkmenistan. In July 2007, the Government announced a National Tourist Zone (NTZ) in Avaza on the Caspian coast near Turkmenbashi City, where it plans to attract \$4 billion in foreign investment to build this ambitious recreation and entertainment hub. The Government of Turkmenistan passed legislation in October 2007 outlining incentives for Avaza investors. Construction and installation of tourist facilities in the NTZ, as well as various services provided at these facilities such as catering and lodging, are exempt from VAT. In addition, foreign companies are allowed to lease land for construction and other non-agricultural purposes for 40 years. The Government of Turkmenistan has signed contracts worth in excess of \$500 million for infrastructure improvements around Turkmenbashi City, including expanding the airport to support international flights, renovating water and sewage networks, and building a water desalination plant and artificial navigable river. By December 2007, eight foreign companies announced their intentions to invest almost \$200 million in resort hotels, villas, office buildings, shopping malls, tennis complexes, and other recreation facilities.

Opportunities

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The creation of a resort and entertainment center in Avaza NTZ is the most ambitious project ever launched in Turkmenistan. The Government of Turkmenistan is determined to make Avaza a success, which is reflected in the advantageous incentives the Government is offering to attract foreign investors. Opportunities are massive and include setting up a seaside resort, building hotels, spas, restaurants, and sport complexes, managing hotels, providing tourist entertainment and sport activities, catering, and tourism services.

Resources

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There are no appropriate websites for this industry.

Transportation

Overview

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	2008	2009	2010 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

* No statistics available.

Large scale reforms to improve infrastructure in the auto, railway, and air transportation sectors of Turkmenistan are underway. Since 1992, the volume of freight transportation in Turkmenistan has increased in all sectors, particularly by truck. Calculated by weight, in 2004, 86% of all goods exported from Turkmenistan left by truck, 10% via pipelines, and 3% by railway. Turkmenistan plans to increase the overall transportation of freight by 5.4 times by 2020. This information is the latest available on Turkmenistan's export shipping volumes. TurkmenAwtoYollary (Turkmen Motor Roads) State Concern oversees construction of roads and highways throughout Turkmenistan, including a 530-kilometer north-south highway between Dashoguz and Ashgabat. This agency is also engaged in improving over 1,000 kilometers of provincial highways.

A number of major projects in the railway transportation sector are also underway. A 540-kilometer north-south railway between Dashoguz and Ashgabat was completed at the end of 2006. On December 1, 2007 the Turkmenistan launched construction of its portion of the international Uzen – Gyzylgaya – Bereket – Etrek – Gorgan line, passing through Kazakhstan, Turkmenistan, and Iran. Over 700 kilometers of this 900-kilometer line will pass through Turkmenistan. Completion of this project is expected by December 2011.

TurkmenistanHowaYollary (Turkmenistan Airlines) is state-owned, and is used mostly for transporting passengers. Turkmenistan is improving civil aviation on all fronts, through the purchase of new Boeing aircraft, increased local and international flights and improved airport services. The authorities have begun renovations of the airports in the cities of Turkmenbashi and Mary, while the project of modernizing the Ashgabat International Airport has not yet been awarded. The Commercial Maritime Code of 2008 regulates commercial navigation, and addresses freight transport, carrying passengers and their baggage to a foreign port, emergency operations, and accidents with other ships. In addition, it includes provisions on crew certification, state registration of ships and ship ownership titles, sea traffic control systems, maintenance of sea ways, and environmental protection.

Best Prospects/Services

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Road and railway construction and maintenance consultation services; specialized transportation machinery.

Opportunities

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Apart from road construction, there are also opportunities to supply specialized machinery for transporting cement, water, or flour, as well as garbage trucks, street cleaners, and cement mixers. There is a lack of street signage, especially in the provinces but also in cities.

Resources

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There are no appropriate websites for this industry.

Construction

Overview

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	2008	2009	2010 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

* No statistics available.

The massive construction boom begun during the first years of independence has maintained rhythm. In Ashgabat, the Government of Turkmenistan has replaced the majority of buildings belonging to ministries and Government agencies. In addition, a plethora of 12-14 story Western-style apartment buildings, hotels, shopping centers, theaters, fountains, and parks have and continue to be constructed in Ashgabat, as well as new universities, secondary schools, and kindergartens. In 2007 alone, Turkmenistan's Government signed over \$1.8 billion in housing and socio-cultural projects for Ashgabat and the regions. This trend continued in 2008 and 2009. Most new construction is taking place in Ashgabat's southern neighborhoods. Turkish and French companies have proposed several billion dollars in construction projects to the Government of Turkmenistan. At the end 2009, the Government signed contracts worth more than 500 million USD with French and Turkish contractors to accommodate major ministries.

Best Prospects/Services

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Consultation on construction in a seismic zone; Urban development; Construction materials.

Opportunities

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Although the French company, Bouygues Batiment, and various Turkish companies have dominated Turkmenistan's construction industry for years, the Government of Turkmenistan has said that it wants to see wider competition in this sector. Under President Berdimuhamedov, the government has pursued a policy of discouraging Turkish and other foreign participation in the construction of new housing. Turkmen authorities now prefer local constructors to build new apartment buildings. Main priorities and standards of Turkmenistan's government in construction: 1) timely completion of the project, 2) high-quality results, and 3) incorporation of Turkmen cultural elements and heritage in the design and architecture of the buildings. In addition to construction, consulting services on seismic construction techniques is also necessary. Turkmenistan does not have a private commercial real estate industry. Apartments in the new buildings are constructed and sold by the government to the population. Turkmenistan

every year allocates funds for housing loans at concessionary rates (1-1.5 % per annum) to private owners.

Resources

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There are no appropriate websites for this industry.

Information Technology

Overview

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	2008	2009	2010 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

* No statistics available.

Integrating information technology into all segments of society is one of Turkmenistan's top priorities. The Government emphasizes computerizing classrooms and is introducing high-end educational software, particularly in universities and secondary schools. One of Turkmenistan's key projects throughout 2007 and 2008 was providing and expanding Internet access; however only 18 public Internet centers exist in the country. The number of subscribers has reportedly increased from 5,000 to 75,000 people, approximately 1.5% of the population. The general receptiveness to new IT applications is low due to the exodus of trained engineers and technicians and the low level of technical training currently available.

Best Products/Services

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Computer hardware; computer software; basic computer skills training; Internet.

Opportunities

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Many sectors and industries of Turkmenistan, including education institutions, the health, textile, and manufacturing sectors, continue to function using paper-based systems and need computer hardware and software. In addition, there is a need for basic computer training for children and adults.

Resources

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There are no appropriate websites for this industry.

Textiles

Overview

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	2008	2009	2010 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

* No statistics available.

Turkmenistan's textile industry started to develop in the early 1990's. Turkish textile companies helped build the sector since then. Over 20 textile firms with predominantly Turkish partners currently operate in the country. Total investment in the textile sector is over \$1 billion, 20% of which is Turkish direct investment. The Turkish businesses maintain high-quality standards throughout their operation cycle, which allows them to export about 90% of all textile products made in Turkmenistan, including to the U.S. Textile products are Turkmenistan's third-largest export item, trailing only natural gas and petroleum products. The textile export share in 2004 was about 8%, behind natural gas (47%) and petroleum products (25%). However, in recent years, exports are in decline, partly due to the sector's internal and continuing production problems. Turkmenistan's textile/apparel exports in 2006 stood at \$91.159 million (according to a Government-sponsored Internet site, Turkmenistan.ru). These statistics are the latest that are available about Turkmenistan's textile production and exports. According to several sources, Turkmenistan now processes between 100,000 and 150,000 tons of cotton per year.

Best Prospects/Services

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Cotton ginning equipment; Weaving equipment; Knitting equipment; Sewing equipment; Dyeing equipment; Marketing services.

Opportunities

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Company proposals may be discussed with the Government of Turkmenistan.

Resources

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There are no appropriate websites for this industry.

Agricultural Sectors

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	2008	2009	2010 (estimated)
Total Market Size	*	*	*
Total Local Production	*	*	*
Total Exports	*	*	*
Total Imports	*	*	*
Imports from the U.S.	*	*	*

* No statistics available.

According to press reports in July 2008, agricultural production makes up 7.9% of the GDP. It includes cotton, wheat, fruit and vegetable, and livestock production. In 2008, Turkmenistan produced some 900,000-920,000 tons of raw cotton and about 1 million tons of wheat. According to Government statistics Turkmenistan has over 2,067,000 cattle livestock, 19,511,000 sheep and goat, and over 16,285,000 poultry. In the past, because of its specialization in cotton and natural gas, Turkmenistan imported a large percentage of the food it consumed. Presently, in an effort to become self-sufficient in foodstuffs, Turkmenistan has increased production of meat, dairy and wheat, however, domestic production is supplemented with imports from Ukraine, Belarus, Kazakhstan, Azerbaijan India, Pakistan.

Food items, especially sugar, flour and other grain products, tea, vegetable oil, confectionary items, and some alcohol, fruits, and vegetables, constitute about 19% of Turkmenistan's total official imports. Meat (mostly mutton, lamb, beef and a small amount of pork), fish and limited amounts of poultry are locally produced. Local poultry consumption heavily depends on imported eggs and chickens, as Turkmenistan does not produce sufficient amounts for its population's needs. Per the 2008-2009 estimate, Turkmenistan imported 10,000 to 12,000 tons of buffalo meat from India for army needs and government canteens. In December 2007, the Government offered loans and tax benefits for poultry producers to increase production. Construction on a poultry farming complex that will produce 3,000 tons of bird meat a year completed with the government funding to private entrepreneur Alexander Dadayev, Chairman of the Entrepreneurs Union.

Food Processing

There are few Turkmen processed food products in the market - mostly sausages, processed fish, alcohol and soft drinks, dairy products, processed tomatoes, vegetable oil (cotton seed and sesame), breads and pastries. Local fresh produce is available in-season, and during the off-season, most produce comes from Iran, Pakistan, and Turkey. The State Food Industry Association runs 125 food processing plants. The largest among them are 5 cotton seed oil expeller plants, 24 meat and dairy plants and nine wine factories. The association licenses private food processors and maintains quality control for processed food. Meat, dairy, fruit, vegetables, grains, and alcohol are the primary items processed.

Restaurant and Hotel Food Service

No international restaurants or hotels operate within the country: all hotels are state-owned. However, the Turkmen Government gave management rights for two major hotels, located in the capital, to a small Italian hospitality group. There are only about 20 hotels throughout Turkmenistan, and a few international caterers, including Catermar and Damac, which serve foreign oil companies in the country. All restaurants are independent and source on local markets.

There are only limited opportunities to introduce new items due to the flat economy, stagnant incomes, and stalled business developments resulting from Turkmenistan's slow adjustment to an open market environment. Small volumes and low prices are the key to selling imported food products in Turkmenistan. There is potential to import chicken quarters, butter, sugar, rice, processed meat, dairy items, and soft drinks.

Best Products/Services

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There are only limited opportunities to introduce new items due to the flat consumer economy, stagnant incomes, and stalled business developments resulting from Turkmenistan's slow adjustment to an open market environment. Small volumes and low prices are the key to selling imported food products in Turkmenistan. There is potential to import chicken quarters, butter, sugar, rice, processed meat, dairy items, and soft drinks.

Opportunities

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In January of 2008, the State Food Industry Association announced international tenders for reconstruction of the existing and building of new cotton seed oil processing facilities, tomato processing and soft drink production plants. The State Food Industry Association also announced an international tender for design and turnkey construction of a stockbreeding complex with an estimated annual capacity of 700 tons of meat products and 1,780 tons of dairy products in the Ruhabat district of Ahal province. The State Committee of the Fish Industry announced an international tender for procurement of cross-country vehicles for the subdivisions of the Committee and for design and turnkey construction of a trout breeding complex in Goekdepe district of Ahal province.

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Chapter 5: Trade Regulations and Standards

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Import Tariffs

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Turkmenistan does not apply tariffs as such on imported goods. However, in practice the Government creates other trade barriers in the form of customs duties and higher excise taxes on imports. Under Presidential Resolution # 9925 dated July 27, 2008, there is a customs duty on the import of 49 types of merchandise. Average rates range from 5% to 100%. Importers also pay small administrative fees to the Customs service.

Turkmenistan applies import excise tax for the following products:

Beer

50% of the cost, but not less than 4 manats per liter.

Wines, strong drinks, liquors with alcohol content of 20% or less Wines, strong drinks, liquors with alcohol above 20%

100% of the cost, but not less than 20 manats per liter 100% of the cost, but not less than 30 manats per liter

Spirits

\$4 per liter

Strong alcoholic drinks, liquors, and other alcoholic drinks

\$3 per liter

Tobacco products

150% of the customs value, but not less than \$1 per pack

3/10/2009

Other tobacco products and products made of tobacco substitute

\$10 per kilogram

Jewelry

Golden Jewelry (excluding gold bullions) - up to 1 kg is exempted from the customs duty, for bigger quantities of jewelry 15% of the customs value import duty applies.

Automobiles

30 cents for every cubic centimeter of the engine volume plus 5.2% of the initial price of the vehicle.

Presidential decree dated December 4, 2009, prohibits import of the vehicles older than 10 years.

A Presidential resolution may waive all or some customs duties and taxes, including the excise tax.

Trade Barriers

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Slow, bureaucratic customs procedures seriously inhibit trade. When the basis of the consignment is a contract but not a paid invoice, Turkmenistan requires that export and import contracts, be registered at the State Commodity and Raw Materials Exchange (SCRME), the only exchange in the country. The procedure applies not only to the contracts signed at the SCRME, but also to contracts signed between third parties. The contract's feasibility is also scrutinized by the Supreme Chamber of Control. The contract registration procedure includes an assessment of price justifications. All import contracts must be registered before goods are delivered to Turkmenistan. Contract registration is a cumbersome process, involving approval from various agencies and ministries. Investment projects, including civil construction projects, are required to be registered at the Ministry of Economy and Development. Turkmenistan has not acceded to the New York Convention on International Arbitration. As a result, a foreign company with a commercial dispute has no recourse to an international dispute resolution body. Turkmenistan's restrictive visa regime, taxation policy and the lack of business council are also difficult issues for companies to overcome.

Import Requirements and Documentation

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The following documents are required for customs clearance of imported goods when basis of the supply is a contract, but not a paid invoice :

1. A contract registered at the SCRME. The contract should be registered before the goods are delivered to Turkmenistan. Contracts are required to include the specifications of the goods, information on their origin, the currency involved, item price, and the total price.
2. A Bill of Lading for Maritime Transportation; Cargo Movement Report "CMR" for transportation by truck. Customs officers will check the CMR or Bill of Lading against the information contained in the contract.
3. A certificates of origin and quality. The Certificate of the Country of Origin should be obtained from Chamber of Commerce and Industry at the place of origin prior to the departure of goods. The importer is required to receive a certificate of conformance from the Main State Inspectorate "Turkmenstandartlary."

4. A customs declaration. The customs declaration and clearance is the responsibility of the party specified in the contract. In most cases, however, the buyer takes on the clearance process. During the customs clearance process, Customs charges a service fee of 0.2% of the contract cost. Additional licenses may be required of the buyer, depending on the type of imported product (an alcohol trade license to import alcohol, or a State Radio Frequencies Commission permit to import radio electronics and high frequency devices). Turkmenistan has free lance customs clearance agents, who can assist with customs processing.

U.S. Export Controls

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Exports and re-exports of munitions, as well as dual-use commodities and technology, to Turkmenistan are subject to U.S. export controls. U.S. companies exporting to Turkmenistan need to apply for an export license from the Bureau of Industry and Security (BIS) if their products or services are controlled for any of the following reasons: CB1, CB2, CB3, NP1, NS1, NS2, MT1, RS1, RS2, CC1, and CC2 (see Part 738 of the EAR for a description). If a firm does not know its export commodity control number, it should contact its local U.S. Export Assistance Center for more information on BIS commodity classifications, or review the Export Administration Regulations database. Additional information about the types of products covered may be obtained from the State Department's Directorate of Defense Trade or the Commerce Department's Bureau of Industry and Security.

Temporary Entry

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According to Turkmenistan's Law on Foreign Investment, goods and properties that are imported temporarily, including those under subcontracts, can be imported into the country without duties, but only for the duration of an existing contract. Presidential Resolution # 5121 of February 26, 2001 stipulates that customs duties are payable on temporarily imported goods, but are reimbursable if they are exported within one year. The one-year requirement may be extended. Goods cannot be imported under consignment contracts.

Labeling and Marking Requirements

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Food items in Turkmenistan need to be labeled in Turkmen and/or Russian, English (acceptable) although Turkish, Persian and Arabic labeling is not uncommon. Home appliances and electronics are almost exclusively labeled in English. However, Russian-language instructions and operational menus are preferred.

Prohibited and Restricted Imports

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Presidential resolution # 1987 of November 24, 1994, outlines two separate sets of goods where import or export must be licensed by the President and the Cabinet of Ministers. President controls import or export of the following list of goods:

1. Arms and military equipment and special items used for military production and military services;

2. Gunpowder, explosive substances, explosive and pyrotechnic devices;
3. Radioactive materials, technology, equipment and installations, special non-nuclear materials and radioactive wastes;
4. Precious metals and alloys, ores, scrap material and wastes (for export only);
5. Precious stones and items including wastes, powder, recuperation of precious stones, pearls and amber;
6. Narcotics and psychotropic substances;
7. Special raw materials, equipment, technology and scientific information used for arms and military equipment production;
8. Dual-use materials, equipment and technology, that may be used for production of nuclear, chemical and other weapons of mass destruction;
9. Investment abroad;
10. Export of scientific research, technology and inventions, and
11. Poisons (except those included in the list below).

The Cabinet of Ministers licenses export or import of the following goods:

1. Chemicals;
2. Poisons;
3. Industrial wastes;
4. Turkmen national jewelry;
5. Culturally valuable goods;
6. Ancient printed products and manuscripts;
7. Archaeological findings;
8. Numismatics;
9. Art pieces;
10. Collections of materials on mineralogy and biology;
11. Central Asian sheep-dogs;
12. Ahalteke horses;
13. Pedigree cattle;
14. Wild animals;
15. Wild plants, bones of fossil animals, ivory, horns, hoofs, corals and other such materials;
16. Information about energy resources and minerals of regions and fields located in Turkmenistan and within the continental shelf, offshore zones.
17. Export of original and copy documentation related to the registered in Turkmenistan private business activities in accounting, human resources etc.
18. Import of any number of religious literature without permission of the Council for Religious Affairs.

Import of cattle, sheep, goats, camels and pigs requires a permit from the Cabinet of Ministers. Customs Regulations and Contact Information Return to top
Customs regulations consist of the Customs Code of Turkmenistan, Tax Code of Turkmenistan (on excises) and a number of by-laws and presidential resolutions, including # 9925 of July 27, 2008 (import and export customs duties).

Customs Regulations and Contact Information

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Customs regulations consist of the Customs Code of Turkmenistan, Tax Code of Turkmenistan (on excises) and a number of by-laws and presidential resolutions, # 9925 of July 27, 2008 (import and export customs duties). Contact info: 2022 street (former Alisher Novai St.) No. 86 (Adalat Palace), Phone: (99312 38-06-46), e-mail: customs@online.tm

Standards

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Turkmenistan uses National Standards of Turkmenistan (TDS) and General Interstate Standards (GOST). Turkmenistan's national standards are developed to meet international standards. GOST standards have been developed by 12 FSU countries and incorporate former Soviet Union standards. Standards and metrology are governed by the Law on Standardization and Metrology of 1993 and a series of by-laws.

Standards Organizations

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The Main State Inspectorate "Turkmenstandartlary" is the regulating agency in the area of standards and metrology in Turkmenistan. There are no other standards organizations in Turkmenistan.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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All imported goods must be certified as adhering to quality standards set by the Main State Inspectorate "Turkmenstandartlary." Those countries that signed bilateral

agreement on acceptance of national state certificates may enjoy mutually simplified procedures on issuing conformance certificates for imported/exported goods. The United States and Turkmenistan do not have an intergovernmental agreement on standards, metrology and certification.

Product Certification

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Turkmen legislation requires that products be certified. Gauging equipment also needs to be calibrated by the Main State Inspectorate "Turkmenstandartlary." In 1998 Turkmenistan introduced a sanitary certification requirement for food products imported into Turkmenistan. The State Sanitary and Epidemiological Inspectorate (SSEI) conducts tests of imported food products to issue certificates of conformance. Certificates of conformance for food products must be accompanied by a Russian-language the product description.

Accreditation

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Turkmenistan joined the International Standard Association in 1991, and in 1992 began to adhere to the Interstate Council on Standard, Metrology and Certification that covers CIS countries. Also, Turkmenistan became a member of the International Standard Organization (ISO) in 1993.

Publication of Technical Regulations

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The Main State Inspectorate "Turkmenstandartlary" publishes national standards updates.

Labeling and Marking

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Food items in Turkmenistan need to be labeled in Turkmen and/or Russian, although English, Turkish, Persian and Arabic labeling is not uncommon. Home appliances and electronics are almost exclusively labeled in English. However, Russian-language instructions and operational menus are preferred. The Law on Trademarks of 2008 provides for the legal protection and use of trademarks, which must first be registered at Turkmenpatent. Turkmenpatent issues a certificate of registration within three months of application, after which the trademark is valid for ten years (from the date of application).

Contacts

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Main State Inspectorate "Turkmenstandartlary"
12 Galkynysh Ashgabat, Turkmenistan, 744004
Tel: (993 12) 495859 Fax: (993 12) 510448

Trade Agreements

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Turkmenistan signed a Trade and Investment Framework Agreement (TIFA) with the United States, Kazakhstan, Tajikistan, Kyrgyzstan, and Uzbekistan on June 1, 2004. The TIFA established a regional forum to discuss ways to improve investment climates and expand trade within Central Asia.

There are no web resources for standards in Turkmenistan.

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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Turkmenistan is relatively large (slightly larger than California), but sparsely inhabited (about five million), with abundant hydrocarbon resources. The government regularly announces its desire to attract more foreign investment, but tight state control of the economy, the slow pace of economic reform, and a restrictive visa regime have hindered the creation of an attractive foreign investment climate. Historically, the most promising areas for investment are in the oil and gas, agricultural and construction sectors. As a result of President Gurbanguly Berdimuhamedov's policy of providing "Internet access to every home, school and kindergarten," the visibility of Turkmenistan's communication sector has also risen. Even in these areas, companies must conduct extensive due diligence.

President Berdimuhamedov has expressed his intent to improve investment conditions, and since the beginning of 2008, the Government of Turkmenistan has adopted legal reforms on foreign investment and licensing. Nevertheless, the lack of established rule of law, inconsistent regulatory practices, and unfamiliarity with international business norms are major disincentives to foreign investment. Turkmenistan's economy depends heavily on production of natural gas, oil, petrochemicals and, to a lesser degree, cotton and textiles.

The country remains one of the largest gas producers among the former Soviet republics. All other existing industrial production, with the exception of food processing, needs substantial investment. The country's key industries are still state-owned.

According to independent estimates (European Bank of Reconstruction and Development (EBRD) Transition Report 2009), the private-sector share of GDP in 2008 was 25 percent, mostly concentrated in retail trade, services and food processing. The top economic development priority of the Government of Turkmenistan since independence in 1991 has been self-sufficiency in food supplies and an increase in import-substituting production using hydrocarbon revenues. Other industries where the government has been most receptive to foreign investment are textile and communications, which acutely need modern technology, knowledge of international markets and experience in international business practices.

All investment proposals are screened for compliance with these government priorities. The national program entitled "Economic, Political and Cultural Development Strategy for Turkmenistan to 2020" specifies government plans for the petroleum, chemical, power generation, mining, metallurgy, textile, construction, agriculture, transportation, communication and other industries. In October 2006, Turkmenistan adopted the Oil and Gas Development Plan for 2007-2030. Turkmenistan currently has a closed investment climate. Decisions to allow foreign investment are politically driven; companies from "friendly" countries are more successful in winning tenders and signing contracts.

In this environment, where the government selectively chooses its investment partners, a strong relationship with the government is essential. Often, government officials expect personal gain for allowing or helping foreign investors enter the local market. One way to penetrate the market has been to work through established foreign businessmen, who arrange deals through their personal relationship with top leaders, or to secure the advocacy of high-ranking foreign government officials in a bilateral context. Since independence, Turkmenistan has accepted financing from IFIs for a variety of projects. In 2009, the Government of Turkmenistan accepted a loan reported at \$4 billion from the Chinese Development Bank and significantly smaller loans for transportation and communication from the Chinese Export-Import Bank. The Turkmenistan's government also accepted a \$1 billion dollar loan from the Islamic development Bank for road and social infrastructure construction projects.

Incoming foreign investment is regulated by the Law on Foreign Investment (last amended in 2008), the Law on Investments (last amended in 1993) and the Law on Corporations of 1999, with respect to start-up corporations, acquisitions, mergers and takeovers of corporations. Foreign-investment activities are affected by appropriate bilateral or multilateral investment treaties, the Law on Enterprises of 2000, the Law on Business Activities (last amended in 2008), and the Land Code approved in 2004. Foreign investment in the oil and gas sectors is subject to the 2008 Petroleum Law. The Tax Code provides the legal framework for the taxation of foreign investment. The 2000 Civil Code defines what constitutes a legal entity in Turkmenistan, as well as requirements for registration.

Much foreign investment is governed by project-specific presidential resolutions, which may grant privileges not provided by the general legislation. Legally, there are no limits on foreign ownership or control of companies. In practice, the government has allowed fully-owned foreign operations only in the oil sector and, in one case, in cellular communications (MTS of Russia). There are various ways for the government to discriminate against disfavored foreign as well as domestic investors: excessive tax examinations, license extension denial, and customs clearance and visa issuance

obstacles. Since 2008, a Western energy company has had difficulty getting Turkmen visas for its employees, after the Turkmenistan's government publicly complained about the energy company's purchase of a smaller foreign firm with operations in Turkmenistan. The Western energy company reportedly failed to consult with the Turkmenistan's government prior to the acquisition, which involved an existing production sharing agreement for natural gas development with the Government of Turkmenistan. In most cases, the government has insisted on maintaining a majority interest in any joint venture (JV). Foreign investors have been reluctant to enter JVs controlled by the government, as a result of competing business cultures and conflicting management styles. Foreign investors may only sell shares or divest with government permission, although there is no specific legislation. A Western soft drink company has been in Turkmenistan since the mid 1990s in a JV with the government, and reported that business has greatly improved in 2009. Government efforts since 1991 to privatize former state enterprises have attracted little foreign investment. Privatization has been limited to the service and trade sectors, with most industry still in state hands. Out-dated technology, poor business structures, and governmental obstacles make privatized firms unattractive as outright purchases for foreign investors.

To date, government privatization efforts have also been counteracted by lingering prejudice against the private sector. In cases where there is income potential, the government has been quick to crowd out the private sector as a competitor. Despite official comments regarding the priority of the growth of the private sector, privatization is low on the government's agenda. All land is government-owned. Neither domestic nor foreign businesses can receive long-term land-use rights for "non-agricultural" purposes. Private citizens have land rights under specific circumstances. However, these rights exclude the sale or mortgage of land. Land rights can only be transferred through inheritance. Foreign companies or individuals are permitted to lease land for non-agricultural purposes, but only the president has the authority to grant the lease.

The government has attempted to introduce an element of competition for state contracts by announcing international tenders for some projects. Often these projects are politically motivated and/or economically unsound, and the tender process is badly managed and nontransparent, untimely, ill-prepared, or inaccessible. Following the president's announcement of a potential project, interested foreign investors and/or suppliers often contact the relevant government agency directly in case the tender is not announced publicly. There is one case of a U.S. company being told it was awarded a tender, investing in initial project design, and then being informed the government was considering other options. The tender was offered a second time, and the contract was awarded to a new company at double the U.S. company's tender price. Investors should always put agreed upon terms in writing and never act on verbal promises.

Turkmenistan signed a Trade and Investment Framework Agreement (TIFA) with the United States, Kazakhstan, Tajikistan, Kyrgyzstan, and Uzbekistan on June 1, 2004. In October 2009, the Turkmen Minister of Economy and Development participated in the 4th round of the U.S.- Central Asia TIFA Council meeting held in Washington D.C. The TIFA established a regional forum to discuss ways to improve investment climates and expand trade within Central Asia. However, the Turkmen government does not actively engage in regional efforts aimed at boosting investment projects. Turkmenistan does sell electricity to Afghanistan at subsidized rates. In November 2009, government of Turkmenistan officials reported that foreign direct investment (FDI) during the first nine months of 2009 exceeded \$1.8 billion. The EBRD Transition Report 2009 projected net

FDI for 2009 to total almost \$1.3 billion, per statistics furnished by Turkmenistan's State Statistics Committee.

Conversion and Transfer Policies

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The Government of Turkmenistan maintains tight control over the country's main foreign-exchange flows. On May 1, 2008, the government introduced a single exchange rate, which remained fixed at 14,250 Turkmen Manat (TM) per \$1 until January 1, 2009, when it introduced redenominated manat (Denominated Turkmen Manat, or DTM) at 2.842 manat per \$1. The government also opened more than 100 exchange points all over the country in May 2008. The GOTX allowed "old" manat to remain in circulation until January 1, 2010. Foreign bankers considered the unified exchange rate and expansion of currency exchange points modest steps towards overall liberalization of the foreign exchange market. An unofficial exchange market still operates on a very small scale, and provides exchanges at rates that are very close to official rates. The current unofficial exchange rate is 2.842 DTM per \$1.

The Central Bank controls the fixed rate by releasing U.S. dollars into the official and unofficial (but legal) exchange markets. New foreign exchange regulations in June 2008 allow the Central Bank to provide banks with ready access to foreign exchange. These regulations also allowed commercial banks to open correspondent accounts. Along with exchange rate unification on May 1, 2008, limits on foreign exchange transactions were officially lifted. Oil producers operate under the Petroleum Law and receive their profit share in crude oil, which they ship by tankers to other Caspian Sea littoral states or swap in Iran or Persian Gulf countries. In many cases, investors in petrochemicals have negotiated deals with the Government of Turkmenistan to recoup their investment in the form of future petroleum products. Foreign investors generating revenue in foreign currency, such as textile factories, do not generally have problems with repatriating their profits. However, some foreign companies receiving income in local currency, such as Coca-Cola, seek indirect ways to convert local currency to hard currency through the purchase of petroleum and textile products in manat for resale on the world market. Turkmenistan imports the vast majority of its industrial equipment and consumer goods. The government's foreign-exchange reserves and foreign loans pay for this industrial equipment and various investment projects. The demand for hard currency in Turkmenistan's private retail sector seems to be satisfied by the official and unofficial but legal exchange markets.

Expropriation and Compensation

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Turkmenistan's legislation does not provide for private ownership of land, and thus allows the government to force investors to vacate their land. Article 21 of the Investment Law allows investors' property to be confiscated via an official court decision. Although there have been no reported expropriation actions against foreign investors in the last year, the Government of Turkmenistan has a history of arbitrary expropriation of the property of local businesses and individuals. Under the previous leadership, the government often refused to pay any compensation, much less fair market value, when

exercising "the right of eminent domain." However, during a March 2007 Cabinet of Ministers meeting, current President Berdimuhamedov stated that residents of affected apartments or houses would be provided with alternative housing before their homes were demolished. In 2007, neighbors who were promised housing six months after their apartments were to be destroyed appealed to international organizations in order to obtain new housing immediately, and were given new apartments shortly thereafter. In 2009, the Turkmenistan's government ordered some residents to vacate their homes in the Berzengi neighborhood of Ashgabat. Property owners in this neighborhood reportedly have no right to compensation for improvements since this area was originally zoned for summer cottages and not for permanent domiciles.

Dispute Settlement

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Most contracts negotiated with the government have an arbitration clause. Embassy strongly advises U.S. companies to include an arbitration clause with a venue outside Turkmenistan. There have been several commercial disputes over the past few years involving U.S. and other foreign investors or contractors in Turkmenistan, though not all the disputes were filed with arbitration courts. Investment and commercial disputes involving Turkmenistan have three common themes: non-payment of debts, non-delivery of goods or services, and contract renegotiations. The government may claim the provider did not meet the terms of a contract as justification for non-payment. Most disputes have centered on the government's unwillingness to pay in hard currency as contractually required. In cases where government entities have not delivered goods or services, the government has often ignored demands for delivery. Finally, a change in the leadership of a government agency that signed the original contract often triggers a government call to re-evaluate an entire contract, including profit distribution, management responsibilities and payment schedules.

A western oil and gas company and Turkmenneft, the government-owned oil company, have been in litigation since 1996. Under the auspices of the International Chamber of Commerce, in 2001 the western company was awarded of \$495 million in damages. In spring 2006, the U.S. Court of Appeals upheld the 2001 decision and bound the Government of Turkmenistan to an arbitral award rendered by a tribunal sitting in Houston, Texas, in favor of a foreign party against State Concern Turkmenneft. In November 2006, the U.S. Supreme Court denied Turkmenistan's petition for a writ of certiorari; the award has not been paid. Although Turkmenistan has adopted a number of laws designed to regulate foreign investment, the laws have not been consistently or effectively implemented. The concentration of power in the office of the president has undermined the rule of commercial law. Legislation is regularly made, or overturned, by presidential decree. The Law on Foreign Investment, as amended in 2008, is the primary legal instrument defining the principles of investment. The law also provides for protection of foreign investors. The foreign investor is defined in the law as an entity owning a minimum average of 20% of a company's assets during a calendar year, unless the Cabinet of Ministers waives the requirement.

The following is an ad hoc list of relevant legislation regarding foreign investments:

- All foreign and domestic companies and foreign investments must be registered at the Ministry of Economy (MOE).

- The Petroleum Law (Law on Hydrocarbon Resources) regulates offshore and onshore petroleum operations in Turkmenistan, including petroleum licensing, taxation, accounting and other rights and obligations of state agencies and foreign partners. The Petroleum Law supersedes all other legislation pertaining to petroleum activities, including the Tax Code.
- According to the Land Code, foreign companies or individuals are permitted to lease land for non-agricultural purposes, but only the president has the authority to grant the lease. Foreign companies may own real estate property other than land.
- Turkmenistan adopted a Bankruptcy Law in 1993.
- Other laws affecting foreign investors include the Law on Investments (last amended in 1993), the Law on Corporations of 1999, the Law on Enterprises of 2000, the Law on Business Activities (last amended in 1993), the Civil Code enforced since 2000, and the Law on Property of 1993.

The commercial law enforcement system includes the Arbitration Court of Turkmenistan (Arachy Kazyyet) which tries 13 categories of disputes, both pre-contractual and post-contractual, including taxation, legal foundations and bankruptcy issues. The court does not interfere in enterprises' economic relations, but considers disputes by request from either party involved. Appeals on decisions of the Arbitration Court can be filed at the Arbitration Committee of the Supreme Court of Turkmenistan. Turkmenistan has not become a Party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (also known as the Washington Convention) or the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards or any other internationally recognized arbitration agreement.

Performance Requirements and Incentives

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Foreign investors are more disadvantaged by higher tax rates than most local companies. The Tax Code adopted in 2005 was amended three times, in 2006, 2007 and 2008, but most tax rates remained unchanged. The Value Added Tax (VAT) is 15 percent, an income tax of 8 percent is applied to JVs and an income tax of 20 percent is applied to wholly-owned foreign companies and state-owned enterprises. Dividends are taxed at 15 percent. The personal income tax rate is 10 percent. In 2005, the government of Turkmenistan amended the tax code, giving more concessions to domestic private companies. The Code exempted domestic private companies from the VAT and property tax and reduced the income tax from 8 percent to 2 percent. In August 2006, Turkmenistan increased its excise tax on imported beer (50 percent) and wine (100 percent). Similar taxes on domestically produced beer and hard liquor remain at previous rates: 10 percent and 15-40 percent respectively.

In May 2007, Turkmenistan introduced the Awaza (or Avaza) Tourist Zone (ATZ) to promote tourism development on the Caspian Sea coast. Tax and other incentives are provided in legislation passed on October 1, 2007, but only to those willing to invest in construction of hotels and recreational facilities. The amendments to the Tax Code passed on October 1, 2007, exempt construction and installation of tourist facilities in the

ATZ from the VAT. Various tourist facilities services, including catering and accommodation, are also VAT-exempt. Income tax on accommodation and catering of tourist facilities will not be levied for the first 15 years. Equipment purchased by the investor as part of the registered capital, other assets to be used in production, and personal household effects of investors' employees are duty free. In general, tax and investment incentives can be negotiated on a case-by-case basis.

The president has often issued special decrees granting taxation exemptions and other privileges to specific investors while recouping the initial investment. Assets and property of foreign investors should be insured with the State Insurance Company of Turkmenistan (Article 53 of the Petroleum Law Article 3 of Insurance Law). National accounting and financial reporting requirements also apply to foreign investors. All contractors operating in Turkmenistan for a period of at least 183 days a year must register at the Main State Tax Service. There is a general requirement for foreign investors that 70 percent of the company's personnel be local. The government can make exceptions for foreign construction companies executing large-scale turnkey projects.

Turkmenistan requires that all export and import contracts and investment projects be registered at the State Commodity and Raw Materials Exchange (SCRME) and the Ministry of Economy. The procedure applies not only to the contracts signed at the SCRME, but also to contracts signed between third parties. The SCRME is government-owned and is the only exchange in the country. The contract registration procedure includes an assessment of "price justification." All import contracts must be registered before goods are delivered to Turkmenistan. The government mostly favors long-term investment projects that do not require regular hard-currency purchases of raw materials from foreign markets. Textile factories operated by Turkish companies using domestic resources and labor serve as model investment projects supported by the government. These companies encounter relatively few currency conversion problems and enjoy tax breaks; otherwise, there are no set requirements for local sourcing or exporting specific percentages of output.

Production Sharing Agreement (PSA) holders are mostly regulated by the Petroleum Law. They are subject to a 20 percent income tax and royalties ranging from 1 percent to 15 percent, depending on the level of production. The social welfare tax, 20 percent of the total local staff payroll, is also payable by all foreign investors and their subcontractors. PSA holders' employees and their subcontractors pay a personal income tax of 10 percent. Under the Petroleum Law, PSA concessions have been made to eight foreign energy companies: five offshore and three onshore concessions for 20-25 years. Six of the existing concessions are in the oil sector and two in the gas sector. Subcontractors of PSA holders can bring their equipment into the country only for the duration of a valid contract. There is no appropriate legislation that regulates operations of oil and gas subcontractors. Currently, Turkmenistan lists 49 import and 20 export goods and materials subject to customs duties. Goods and materials not on the lists are subject to a 0.2 percent customs fee payment and a charge of \$1.76 to the Customs Official for every hour he/she spends inspecting the imported goods. In regard to exports, customs maintains a list of goods subject to customs duty payment. State enterprises often receive preferential treatment; for example, wool carpets produced at state factories are exempt from customs duties. In contrast, private carpet producers have to pay \$20 per square meter of carpet in customs duties in order to export carpets. Foreign investors are required to adhere to the sanitary and environmental standards of

Turkmenistan. Foreign investors' products should be of equal or higher quality than prescribed in national standards. Turkmenistan, while not a member of the World Trade Organization (WTO), has enacted a number of laws in key areas as relevant to the WTO: investment, banking, intellectual property rights, customs, and privatization. However, the legislation is not enforced uniformly. Turkmenistan is not a signatory to and is not in compliance with the Agreement on Trade-Related Investment Measures (TRIMS).

The State Migration Service was created in 2003 with the specific aim of controlling access to the country and movement of foreign citizens within Turkmenistan. All visitors are required to register upon entry, and travel to most border areas requires a special permit. Inviting foreigners is often problematic because authorities can and do deny entry visas without explanation. With these travel strictures, foreign investors trying to enter Turkmenistan for the first time have difficulty obtaining entry visas unless invited by the government. Even established investors continue to complain about bureaucratic procedures and delays in this context.

Right to Private Ownership and Establishment

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Foreign and domestic private entities in Turkmenistan have the right to establish and own business enterprises, though this is associated with onerous bureaucratic requirements. The 2000 Law on Enterprises establishes state and private businesses in various legal forms (state enterprises, sole proprietorships, cooperatives, partnerships, corporations and enterprises of non-government organizations). The law allows foreign companies to establish subsidiaries, but the Government does not currently register subsidiaries. The Civil Code of Turkmenistan and the Law on Enterprises provide for representative and branch offices to operate in Turkmenistan, and enterprises have to be registered with the Registration Chamber at the Ministry of Economy. The government prohibits engagement in certain areas of commercial activity, such as mass media. The 2008 Law on Licensing Certain Types of Activities lists 44 types of activities that require government licenses. Currently, state entities do not require licenses. Often private entities need to do more than public enterprises to access markets and credit. The Law on Enterprises and the Law on Corporations provide for acquisitions and mergers. However, Turkmenistan's legislation is not clear about acquisitions and mergers involving foreign parties, nor does it have specific provisions for disposition of interests in business enterprises, both local and with foreign participation. Governmental approval is necessary for acquisitions and mergers of certain enterprises, specifically those with state shares.

Protection of Property Rights

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All land is owned by the government. The 1993 Law on Property defines the following types of property: private, state, non-government organizations, cooperative, joint-venture, foreign states, legal entities and citizens, international organizations and mixed private and state. Most housing is state-owned and may not be resold. Turkmenistan adopted a new land code in 2004, addressing farmers' land rights. According to the new

land law, citizens may have rights up to three hectares of land but they cannot sell, exchange, or transfer it, except to their children. Based on the law, foreign citizens and stateless persons, foreign states, and companies and international organizations may only lease land. The October 1, 2007 amendments to the Land Code provide for up to 40-year land leases for hotels and recreational facilities in National Tourist Zones. Land and built facilities have to be transferred after the expiry of the contract. According to the Law on Foreign Investment, foreign investments in Turkmenistan are not subject to nationalization and requisition; foreign properties may be confiscated only by a court decision.

The government has enacted laws designed to protect intellectual property rights (IPR) domestically, but these laws are either arbitrarily implemented or not implemented at all. Among them are the 1993 Law on the Protection of Scientific Research, the 1993 Patent Law and the December 2008 regulation, which includes the Law on Inventions and Industrial Designs and the Law on Trade and Service Marks and Places of Origin. The new regulation provides legal protection of intellectual property upon its registration with the Patent Agency, which was established in 1993. However, due to significant deficiencies in Turkmenistan's intellectual property protection regime, there is an ongoing review of Turkmenistan's status as a beneficiary country under the U.S. Generalized System of Preferences (GSP) Program. Turkmenistan has been on the Special 301 Watch List since 2000.

The Law on Foreign Investment guarantees the protection of intellectual property of foreign investors, including literary, artistic and scientific works, software, databases, patents and other copyrighted items, but Turkmenistan has yet to adopt more explicit and comprehensive administrative and civil procedures and criminal penalties for Intellectual Property Rights (IPR) violations. Turkmenistan has not adopted a separate Copyright Law and consequently does not provide any protection to foreign sound recordings or pre-existing works. The 1993 Most Favored Nation Agreement between the United States and Turkmenistan also provides for favorable treatment of copyrighted materials. The agreement envisages Turkmenistan's accession to the Berne Convention of 1971 for the Protection of Literary and Artistic Works and Creation of a Working Group on Intellectual Property Matters. To date, Turkmenistan has not joined the Berne Convention or the Geneva Phonograms Convention. It is a challenge to purchase legally recorded material in Turkmenistan. Current border enforcement is weak. As a result, pirated recordings freely cross into Turkmenistan for sale. Additional personnel and training courses are needed for more effective border enforcement. Turkmenistan laws do not provide for either civil or criminal ex parte search procedures needed for effective anti-piracy enforcement.

Turkmenistan signed the World Intellectual Property Organization's (WIPO) documents on industrial property rights and patent cooperation in 1995. Turkmenistan has also joined the Eurasian Patent Organization that was created as part of the WIPO for the CIS countries. Turkmenistan has not signed the 1996 WIPO Copyright Treaty (WCT), WIPO Performances and Phonograms Treaty (WPPT), or WIPO Internet Treaties. The Copyright Law was enacted as part of Turkmenistan's Civil Code, in force since 2000. The Law defines copyrighted products and the rights of owners of the copyrighted products, and provides their legal protection. There is a Patent Department in the Ministry of Economy and Development which issues patents on intellectual property, but it does not enforce copyright law. Turkmenistan has not adopted criminal penalties for IPR violations, and currently articles such as videos, cassette tapes, and literature are

freely copied and sold. In general, products manufactured by government-owned entities increasingly dominate local markets and are well-protected by law enforcement bodies. These government produced products including, petroleum products and textiles exported from Turkmenistan have been assigned trademarks to protect them in foreign markets.

Transparency of Regulatory System

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The government does not use transparent policies to foster competition and foreign investment. Laws have frequent references to by-laws that are often not publicly available. Since 2007, some progress has been made toward eliminating by-laws when President Berdimuhamedov announced legal system reforms. Most by-laws are passed in the form of presidential decrees. Such decrees are not categorized by subject, which makes it difficult to find relevant cross references. Previously, government officials acted on the president's verbal instructions, rather than written orders or governing legislation. Most often, personal relations with government officials have played a decisive role in determining how and when government regulations are applied. Bureaucratic procedures are confusing and cumbersome. There is no single body that coordinates registration and activities of domestic and foreign private companies. The government does not generally provide information support to investors, and officials use the lack of information to their personal benefit. Foreign companies may spend months conducting due diligence in Turkmenistan. A serious impediment to foreign investment is the lack of knowledge of internationally-recognized business practices and concepts, as well as few English speakers. Good quality English-language material on Turkmenistan legislation is scarce, and there are very few business consultants to assist investors.

There are no standards-setting consortia or organizations besides the Turkmen State Standards (TDS) and the relevant licensing government agency. There is no independent body for filing complaints. Financial disclosure requirements are neither transparent nor consistent with international norms. Government enterprises are not required to publicize financial statements, even to foreign partners. Financial audits are often conducted by local auditors, not internationally recognized firms. The Law on Petroleum was a partial step toward creating a more transparent policy in the oil and gas sector; it provides a detailed legal framework for conducting oil and gas business. Under this law, three types of licenses can be issued: exploration, extraction, and a single exploration and extraction license. Four types of agreements can be signed for hydrocarbon production: a production sharing agreement, a joint operation agreement (also called joint venture agreements), risk service agreements, and concession agreements with royalties and taxes.

Efficient Capital Markets and Portfolio Investment

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Turkmenistan's financial system significantly hinders the free flow of financial resources. Most numerous and largest in size are the following six state banks: State Bank for Foreign Economic Relations (Vnesheconombank), Dayhanbank, Turkmenbashi Bank, Turkmenistan Bank, Halk BQ, and President Bank. These state banks have narrow

specializations-- foreign trade, agriculture, industry, social infrastructure, savings and mortgages, respectively. There are two smaller state banks: Senagat Bank and Garagun Bank which provide general banking services only. There are also four foreign commercial banks in the country: a joint Turkmen-Turkish bank (with Ziraat Bank), a branch of the National Bank of Pakistan also operate in Turkmenistan, and the German Deutsche and Commerz banks. The two German banks provide European bank guarantees for companies and for the Turkmen government; they do not provide general banking services.

Total assets of the country's largest bank, Vnesheconombank, are estimated at \$1 billion (2007) at the then official exchange rate of 5,200 manats per dollar. Other banks' assets are much smaller. All banks, including commercial banks, are regulated by the state. Commercial banks are prohibited from providing services to state enterprises. The U.S. Export Import (EXIM) Bank announced on January 4, 2010, that it had extended its available financing to include long-term public sector transactions in Turkmenistan. Previously, EXIM had only been open for short- to medium-term public sector financing. Short-term financing is available for up to two years, medium-term up to seven years, and long-term up to 18 years.

State banks mostly serve state enterprises and allocate credit on subsidized terms to the state enterprises. Foreign investors are only able to get credit on the local market through EBRD equity loans. There is no capital market in Turkmenistan, although the 1993 Law on Securities and Stock Exchanges outlines the main principles for issuing, selling and circulating securities. The Law on Corporations further provides for issuance of common and preferred stock, and bonds and convertible securities in Turkmenistan, but in the absence of a stock exchange or investment company, there is no market for securities. In the mid 1990's, the government turned some nearly bankrupt state-run enterprises into corporations. Foreign entities may theoretically purchase shares in these companies, but have shown no interest in so doing.

Competition from State Owned Enterprises

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State-owned enterprises still dominate Turkmenistan's economy and control the lion's share of the country's industrial production, especially in such sectors as onshore hydrocarbon production, transportation, exports, and refining; electricity generation and distribution; chemical industry, railway and air transportation; and production of construction materials. State enterprises also control education, healthcare, and media. State-owned enterprises are also heavily involved in agriculture, food processing, textiles industry, communications, construction, trade, and services. Although state-owned enterprises are often not as efficient as private ones, their positions remain strong because the Government considers that it is strategically important to control main industries in the country through state-owned enterprises. This situation is unlikely to change any time soon. To enter one of the State-controlled sectors, a private company would need to seek a special Government decision made at the highest level, authorizing the company to start business in the country.

Corporate Social Responsibility

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Corporate social responsibility is something new for the Turkmen Government in its relations with private companies. In the past, foreign companies operating in Turkmenistan did not implement large social projects, neither were they required to do so. The situation seems to be changing now. Reportedly, the State Agency for Management and Use of Hydrocarbon Resources now pays much more attention to a foreign company's willingness to contribute to social programs when negotiating production sharing agreements with energy companies.

Political Violence

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Turkmenistan's political system has showed no sign of immediate change since Gurbanguly Berdimuhamedov's ascension to the presidency in February 2007, although modest efforts thus far to reform the social sector -- education, health and agriculture -- are promising.

The politically repressive but stable existence Turkmenistan experienced in its first ten years of independence halted in November 2002 with an attack on former President Niyazov's motorcade in central Ashgabat. The regime reacted with a series of mass arrests, show trials and purges of Government ministries. There were credible reports that torture was employed to gain signed confessions. Authorities violated the Vienna

Convention for diplomatic immunity when they raided the Uzbekistan Ambassador's compound in December 2002. In September 2008, Government forces surrounded a small group of well-armed individuals in the Khitrovka neighborhood on the north side of Ashgabat. After an almost three day standoff, more than 20 Government personnel were reportedly killed before the group was subdued. Government statements claimed that the group was involved in narcotics trafficking, and that all members of the group had been arrested or killed. Little additional information surfaced regarding the motives or intentions of the group. The Government prohibits political opposition by banning opposition parties and requiring registration for all organizations. There have been no incidents involving politically-motivated damage to projects or installations.

Corruption

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Turkmenistan has legislation to combat corruption, but the laws are not enforced and corruption is rampant. Formally, the Ministry of Internal Affairs, the Ministry of National Security, and the General Prosecutor's Office are responsible for combating corruption. President Berdimuhamedov has publicly stated that corruption will not be tolerated. Turkmenistan joined the UN Convention against Corruption in March 2005, but the non-transparency of the economic system provides fertile soil for corruption. The non-government organization, Transparency International, ranked Turkmenistan 168 among 180 countries in the world in its Corruption Perceptions Index for 2009. The common assumption is that nearly any decision desired can be obtained for a price. U.S. firms have identified widespread government corruption, usually in the form of bribe requests, as an obstacle to investment and business throughout all economic sectors and regions.

It is most pervasive in the areas of government procurement and performance requirements. In contrast to official corruption, violent criminal organizations are largely non-existent in Turkmenistan.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/docs/dojdocb.html>.

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates

the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) [Insert information as to whether your country is a party to the OAS Convention.]

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic

official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.]

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the antibribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

POST INPUT: Public sector corruption, including bribery of public officials, [remains a major/minor challenge for U.S. firms operating in xxx xxx. Insert country specific

corruption climate, enforcement, commitment and information about relevant anticorruption legislation.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>.

- Additional country information related to corruption can be found in the U.S. State Department's annual Human Rights Report available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual Global Integrity Report, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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The Governments of Turkmenistan and the United States began negotiations on a bilateral investment treaty after 1991, but talks were suspended in early 1994. The Government of Turkmenistan expressed interest in renewing the talks in 1998, but negotiations have not recommenced. The United States government considers the Convention with the Union of Soviet Socialist Republics on Matters of Taxation, which entered into force in 1976, to continue to be in effect and applicable between the United States and Turkmenistan. There have been no discussions on a new dual taxation treaty.

Turkmenistan has signed bilateral investment agreements with Turkey, China, France, Malaysia, Pakistan, Romania, Slovakia, the United Kingdom, Northern Ireland, Egypt, India, Uzbekistan, Iran, Armenia, Georgia, Germany, Ukraine, and the United Arab Emirates. In July 2009, EU Ministers passed a trade agreement with Turkmenistan reasoning that economic and trade engagement with the country would stimulate political reforms in Turkmenistan.

OPIC and Other Investment Insurance Programs

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Turkmenistan signed an Investment Incentive Agreement with the U.S. government in 1992, but there has been no investment insurance, investment guarantees or financing provided by the Overseas Private Investment Corporation (OPIC) for Turkmenistan.

Labor

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Labor matters are governed by the Labor Code of Turkmenistan, the Law on Leaves of Absence, the Law on Occupational Safety, the Law on Pensions and a number of regulations approved by presidential resolutions. Turkmenistan joined the International Labor Organization in 1993. Unemployment and underemployment are major problems. The last official survey, conducted in 1995, implausibly estimated unemployment at 3% of the labor force. Current unofficial estimates are above 50 percent, while the Ministry of Finance maintains the percentage is between 5 and 10 percent. Since 1997,

Turkmenistan has introduced "labor exchanges" or employment offices, operating as self-sustaining entities under local government offices.

Turkmenistan's regulations require that all vacancies be posted via the labor office, although, most vacancies in the labor exchanges' databases are low-skilled jobs, employment offices have not been an effective tool in reducing unemployment. Finding suitable candidates via these offices is also problematic for international companies. Investors recruit directly, though candidates still pay a nominal fee to the relevant labor exchange. Although the government requires foreign companies to have 70% of the local workforce be local citizens, it has made exceptions for foreign construction companies executing large-scale turnkey projects. Officials are known to request investors to employ their relatives and friends. The Association of Trade Unions of Turkmenistan -- successor to the Soviet-era system of government-controlled trade unions is the only trade union allowed in the country. The Association's unions are divided along both sectoral and regional lines.

The normal workday in Turkmenistan is eight hours, and the standard workweek is 40 hours over five days. In practice, government and many private sector employees are required to work 10 hours a day or a sixth day without compensation. The minimum age for employment of children is 16. In a few heavy industries the minimum age is 18. The labor law prohibits 16-18 year-olds from working more than six hours a day, and only with parental and trade union permission. Health and safety regulations exist, but are commonly not enforced. Foreigners with government permission to reside in Turkmenistan may work, but are subject to the same labor regulations as citizens unless otherwise specified by law.

Foreign-Trade Zones/Free Ports

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The Law on Economic Zones for Free Enterprise was enacted in 1993. The law guarantees the rights of businesses -- foreign and domestic -- to operate in these zones without profit ceilings. The law forbids nationalization of enterprises operating in the zones and discrimination against foreign investors. Other rights guaranteed include:

- Preferential tax status, including exemption from profit
- tax if profits are reinvested in export-oriented, advanced
- technology enterprises;
- Repatriation of after-tax profits;
- Exemption from customs duties, except on product of
- foreign origin;
- Export of products;
- Setting product prices.

There are ten such zones in Turkmenistan: Mary-Bayramaly, Ekerem-Hazar, Turkmenabat-Seydi, Bakharly-Serdar, Ashgabat-Anew, Ashgabat-Abadan, Saragt, Guneshli, Ashgabat International Airport, and Dashoguz Airport. The zones have not been successful in drawing increased economic activity. Despite the legal guarantees, the government continues to meddle in business decisions even for firms located in

these zones. The zones have not been financially supported by the government and lack infrastructure, such as advanced telecommunications, to attract businesses. The infrastructure Ashgabat International Airport is more developed and has modern transit facilities. In July 2007, President Berdimuhamedov announced the creation of the Avaza free tourist zone along 16 kilometers of the Caspian Sea coast.

The Ministry of Economy and Development (MOED) promised exemption from MOED registration fees and Value Added Tax (VAT) to contracting and management companies, full convertibility of all manat-denominated operations earnings into hard currency for amortization of foreign loans, payment for construction work or services, purchase of raw materials, equipment, and goods. This zone will have a special regime for making cash payments and overseas electronic transfers, and equipment and materials used in facility construction or management will be exempt from calibration fees in the zone. Amendments to the Land Code passed in October 2007 include a provision for 40-year land leases for construction of tourism facilities and five-year leases for retail and services points, warehouses and car parking lots. Tourism-related services such as catering and hotels, but not casinos, are also granted VAT exemption. Construction equipment used in the Zone will not be subject to the one percent property tax. In addition, the government will not levy income taxes related to tourist accommodations and catering for the first 15 years.

Foreign Direct Investment Statistics

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State data on many economic indicators, including Foreign Direct Investment (FDI) remain unreliable and mostly unavailable. However, according to various independent analysts, most foreign investment is directed toward the country's oil and gas sector. Such investments include three onshore Production Sharing Agreements (PSAs): the Nebitdag Contractual Territory operated by Burren Energy UK/ENI, the Khazar project operated jointly by the Turkmennebit state oil concern and Mitro International of Austria, and the Bagtyarlyk Contractual Territory operated by the Chinese National Petroleum Corporation (CNPC). In addition, there are six PSAs for offshore operations: Block I operated by Petronas of Malaysia, Block II (Cheleken Contractual Territory) operated by Dragon Oil (UAE), Block III operated by Buried Hill (Canada), Blocks 11 and 12 operated jointly by Maersk Oil of Denmark and Wintershall of Germany, Block 23 operated by RWE of Germany, and Block 21 operated by Itera of Russia.

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<http://www.ebrd.org/>

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Chapter 7: Trade and Project Financing

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- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
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How Do I Get Paid (Methods of Payment)

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Bank transfers and Letters of Credit are the most common methods of payment.

How Does the Banking System Operate

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Turkmenistan has a very small banking sector. There are eight state banks: State Bank for Foreign Economic Relations (Vneshekonombank), Dayhanbank, Turkmenbashy Bank, Turkmenistan Bank, Halk Bank, Senagat Bank, Garagum and President Bank. These state banks have narrow specializations -- foreign trade, agriculture, industry, social sector, savings and mortgages, respectively. There are two additional commercial banks -- one joint venture (Dayhan Bank with Ziraat Bank) Turkmen-Turkish bank, and a branch of the National Bank of Pakistan -- also operate in Turkmenistan. Deutsche Bank and Commerz Bank of Germany started operations in Turkmenistan limited to issuance of guarantee letters. All banks, including commercial banks, are controlled by the state. Commercial banks are prohibited from providing services to state enterprises.

Foreign-Exchange Controls

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The Government of Turkmenistan redenominated its national currency – the manat – and reduced the face value of bills by a factor of 5,000 at the beginning of 2009. The exchange rate is fixed at 2.842 Turkmen manat per \$1.

U.S. Banks and Local Correspondent Banks

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There are no U.S. banks in Turkmenistan.

Project Financing

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Project financing has not been used in Turkmenistan.

Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/ccs/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

(Insert a link to the applicable Multilateral Development Bank here and any other pertinent web resources.)

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Chapter 8: Business Travel

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Business Customs

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Doing business in Turkmenistan requires patience, persistence and personal contact. The Government of Turkmenistan encourages foreign investment and business, but current structures do not conform to international business norms. No commercial code has been adopted, most local officials are unfamiliar with western business practices and internationally accepted norms, and business is often a matter of personal influence and politics. Many marketing methods employed in the West do not work well here. Successful companies in Turkmenistan have established personal contact with Government officials through either representative offices or visits. Smaller or lesser known companies must establish their bona fides before being accepted at the highest levels.

Large-scale contracts are signed at the presidential level and usually require the travel to Ashgabat of the company's president or CEO to close the deal. Follow-up visits are also critical. Communication by fax and telephone enhances but is no substitute for personal contact. There are locally-based distributors representing U.S. companies, but most are foreign companies themselves (usually Turkish), which have had established offices in Ashgabat since independence. Turkmenistan is not familiar with the concept of franchising; therefore, it is not yet used here. Almost all companies investing in Turkmenistan form joint ventures. Since there is limited privatization, joint ventures generally include Government partners, except in the oil and gas sector. There is no standard form for a joint venture agreement; each agreement is negotiated individually, approved by the Cabinet of Ministers, and finalized by presidential decree.

Travel Advisory

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This travel alert is routinely updated to remind American citizens of ongoing security concerns and the potential for terrorist acts in Central Asia. The countries of Central

Asia are comprised of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. American citizens are reminded to maintain a high level of vigilance and to take appropriate steps to increase their security awareness.

The U.S. Government continues to receive information that terrorist groups in Central Asia may be planning attacks in the region, possibly against U.S. Government facilities, Americans or American interests. Elements and supporters of extremist groups present in Central Asia, including the Islamic Jihad Union (IJU), al-Qaida, the Islamic Movement of Uzbekistan (IMU), and the Eastern Turkistan Islamic Movement, have expressed anti-U.S. sentiments in the past and have demonstrated the capability to conduct terrorist operations in the region. Previous terrorist attacks conducted in Central Asia have involved improvised explosive devices and suicide bombers and have targeted public areas, such as markets, local Government facilities, and, in 2004, the U.S. and Israeli Embassies in Uzbekistan. In addition, hostage-takings and skirmishes have occurred near the Uzbek-Tajik-Kyrgyz border areas.

U.S. Embassy personnel in Central Asia continue to observe heightened security precautions at work, as well as in public places, such as markets and bazaars. Terrorists do not distinguish between official and civilian targets. As security is increased at official U.S. facilities, terrorists and their sympathizers seek softer targets. These targets may include facilities where Americans and other foreigners congregate and visit, such as residential areas, clubs, restaurants, places of worship, hotels, schools, outdoor recreation events, resorts, beaches, maritime facilities, airports, and aircraft. U.S. citizens in Central Asia are urged to register and update their contact information at the nearest U.S. Embassy or through the Department of State's travel registration website at <https://travelregistration.state.gov>.

For the latest security information, Americans traveling abroad should regularly monitor the Department's Internet web site (<http://travel.state.gov>) where the current Travel Warnings and Public Announcements, including the Public Announcement for Central Asia, and the Worldwide Caution Public Announcement, can be found. Up-to-date information on safety and security can also be obtained by calling 1-888-407-4747 toll free in the U.S. and Canada, or for callers outside the U.S. and Canada, a regular toll-line at 1-202-501-4444. These numbers are available from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays). The Department of State urges American citizens to take responsibility for their own personal security while traveling overseas. For general information about appropriate measures travelers can take to protect themselves in an overseas environment, see the Department of State's pamphlet *A Safe Trip Abroad*.

Visa Requirements

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American citizens must have a valid passport and visa and/or letter of invitation from the Government of Turkmenistan to enter and exit Turkmenistan. To apply for a visa, all U.S. citizens must complete an application and have a letter of invitation approved by the State Service for the Registration of Foreigners (SSRF) in Ashgabat. An individual in Turkmenistan must submit the letter of invitation on behalf of an American citizen to the

SSRF, accompanied by a copy of the traveler's passport ID page. Each traveler's passport must be valid for at least six months following the date of the application. The SSRF requires at least 15 working days for approval. The U.S. Embassy in Ashgabat does not issue letters of invitation to citizens interested in private travel to Turkmenistan. Applications for a visa can be submitted to the Embassy of Turkmenistan in Washington, D.C., or directly to the SSRF in Ashgabat.

Under Turkmenistan's law, a traveler with a stamped and approved invitation letter may also obtain a visa at the Ashgabat International Airport upon arrival in Turkmenistan; however, some travelers have reported difficulties with airlines not boarding passengers who only have approved invitation letters in lieu of a visa for onward travel to Turkmenistan. Travelers are strongly urged to obtain a visa before traveling.

The price for the visa will vary according to the intended length of stay. For an additional charge, the SSRF can extend a visa in Ashgabat beyond its initial validity. Any traveler arriving without a visa or without the documents necessary to obtain a visa will be denied entry and may be held at the airport or border until the traveler has secured transportation out of Turkmenistan. The U.S. Embassy in Ashgabat is unable to intervene with Turkmenistan's authorities regarding the admission of private travelers to Turkmenistan. Travelers departing Turkmenistan must have a current valid visa or they will be denied exit until they have extended the validity of the visa through their departure date.

In addition, U.S. citizens traveling in Turkmenistan should be aware that they need special permission from the SSRF to travel to areas of the country that have been restricted by the Government of Turkmenistan, including almost all border areas.

Upon arrival at an airport or border entry point, foreigners will be charged approximately \$12 for registration by Turkmenistan's authorities. Those departing Turkmenistan from the Ashgabat airport and flying with a non-Turkmenistani flagged carrier are required to pay a \$25 departure fee. In addition to the immigration requirements mentioned above, foreigners are subject to local registration requirements. Americans who plan to stay more than three working days in Turkmenistan must register with the SSRF. SSRF offices are located in all of Turkmenistan's five major cities: Ashgabat, Dashoguz, Mary, Turkmenabat and Turkmenbashi.

One day prior to their departure from Turkmenistan, foreigners must return to an SSRF office to register their departure. Foreigners should be registered and deregistered at the SSRF in the city in which their sponsoring organization is located. Foreigners who fail to register their departure may be prevented by immigration authorities from leaving the country until they have done so. The penalties for remaining in Turkmenistan with an expired visa or for failing to register with SSRF include fines, arrest, and/or deportation. Foreigners who are deported for these violations may be prohibited from returning to Turkmenistan for up to five years.

American citizens in Turkmenistan are strongly urged to ensure that their visas do not expire and that they register with SSRF upon arrival and upon departure. Visitors holding tourist visas organized by a travel agency must stay in hotels; other visitors may stay in private accommodations whose owner must register the visitor's presence. Visit the Embassy of Turkmenistan web site at www.turkmenistanembassy.org for the most current visa information.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

U.S. Embassy Ashgabat: <http://turkmenistan.usembassy.gov/>

Turkmen Embassy website: <http://www.turkmenistanembassy.org/>

Telecommunications

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Mobile phone service exists throughout Turkmenistan and is generally reliable. However, some rural and mountainous areas may have limited coverage. Long distance direct dialing is possible, but very expensive (\$4 per minute). Operator-assisted calls can be made from Turkmenistan to the United States. The operator usually speaks some English and will be able to put the call through (dial 079). The rate for calls to the United States placed through an operator is \$3.90 per minute. Currently, the major hotels are charging from \$6.00 to \$9.00 per minute for telephone calls and from \$7.00 to \$9.00 for a fax message. Internet access in hotels is often slow or not available, and it can be difficult to arrange an Internet connection for a private home or office.

Transportation

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The only two major western carriers flying to Ashgabat are Turkish Airlines and Lufthansa Airlines. Turkmenistan Airlines has flights to Abu Dhabi, Almaty, Amritsar, Bangkok, Beijing, Birmingham (England), Frankfurt, Istanbul, Minsk, Moscow and New Delhi. S7 Airlines also flies from Moscow to Ashgabat. Within the country, it is possible to fly to Balkanabat, Dashoguz, Mary, Turkmenabat, and Turkmenbashi. Road conditions in Turkmenistan make driving difficult and sometimes dangerous. Most roads outside of major cities are narrow, riddled with potholes, unlit at night, and without proper road signs. Driving at night on these roads should be avoided. City roads are better in comparison to rural routes but may be hazardous due to potholes, uncovered manholes, poor lighting, and heavy pedestrian traffic. Pedestrians frequently cross against traffic and create dangerous conditions. Traffic accidents involving serious injury to drivers, passengers, and pedestrians are common.

In general, visitors should use caution when driving in Turkmenistan. Drivers pay little attention to lanes and other road markings, with weaving and sudden lane changes

(usually without use of a turn signal) a common occurrence. Drivers will often encounter cars going the wrong way on one-way streets or divided highways. Cars also frequently make left-turns from the right lane and vice versa. Pedestrians regularly walk or stand in the middle of busy streets during the day and night, often without paying attention to oncoming traffic. Roadside assistance does not exist in Turkmenistan, where vast stretches of highway are often unmarked.

The U.S. Embassy in Ashgabat has received reports that police stationed at checkpoints may arbitrarily fine motorists. Because of the lack of reliable local transportation, visitors and new arrivals may find it convenient to hire a local driver. These drivers are usually relatively inexpensive. Arrangements can be made at the hotels. Taxis are also available in Ashgabat and are inexpensive.

Language

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Turkmen is the official language of Turkmenistan; however, Russian is widely used in Government and business. The Government has declared that English is to be taught widely, but as yet a very limited number of people in Turkmenistan speak English.

Health

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Disclaimer: The U.S. Embassy Ashgabat, Turkmenistan assumes no responsibility or liability for the professional ability or reputation of, or the quality of services provided by, the medical professionals, medical facilities or air ambulance services whose names appear on the following lists. Names are listed alphabetically, and the order in which they appear has no other significance. Professional credentials and areas of expertise are provided directly by the medical professional, medical facility or air ambulance service.

Ashgabat Medical Facilities

Central Hospital (Turkish) # 1, Emre Yunus St. (Building of International Business Center) Telephone: 45-03-03

S.A. Niyazov International Medical Center Berzengi, Ashgabat Telephone: 48-90-06; 48-90-08 Contact: Nury Kakabaevich Amannepesov (Speaks Russian and Turkmen) Telephone: 48-90-05; 48-90-09

Saparmurat Turkmenbashy the Great International Medical Center for Internal Diseases Berzengi, Ashgabat Telephone: 48-90-32 Contact: Nury Kakabaevich Amannepesov

Central Hospital Named After Turkmenbashy the Great Bikrova, Ashgabat Telephone: 34-86-21

Sanitary Aviation of the Ministry of Health of Turkmenistan
Dr. Dovran Saparovich Telephone: 35-27-12
Monday through Saturday (working hours) 39-07-19; 39-07-30 - numbers for emergency medical evacuation from different areas of the country

Ambulance Services Government Ambulance Service Tel.: 03

Central Hospital (Turkish) Turkmenbashy Shayoly/Yunus Emre Street, No. 1 Ashgabat
Telephone: (993-12) 45-03-03

Local Doctors

Dr. Elena Raisovna Ulmasova Trauma Surgeon, Internal Medicine Specialist, Central Hospital Call for trauma (bones, joints, etc.) (Speaks Russian and a little English) (W) 45-03-03

Dr. Rita Rakhmanova Dentist-Orthodontist Saparmurat Turkmenbashy the Great International Medical Center for Internal Diseases (Speaks Russian and German) Work: 48-90-89; Cell: 866-55-62-16; Home: 47-55-88

Dr. Nataliya Gritsayenko Dentist, Call for evaluations, infections and fillings (Speaks Russian) Work: 48-90-06, 48-90-08; Home: 45-69-86; Cell: 800-66-34-32-06

Pharmacies

Andalyp street, 15 (former Mira street, based in Burgan store), telephone 27-03-03,
Gorogly street, 29 (former Pervomayskaya street, just across the Student Polyclinic),
telephone 35-35-80

Azadi, 65 (based in Ovadan Center), telephone 39-51-85

Sona Muradova street, 2 (former Stepana Razina Street), telephone 28-63-44

Medical Evacuations

The following is the list of companies that can assist U.S. citizens with medical evacuations. Please be aware that the Embassy cannot provide administrative assistance, such as airport and flight clearance assistance, for private medical evacuations.

Delta Consulting Moscow, Telephone: 7-495-937-6477 Geneva SOS Emergency
Telephone: 41-22-785-6464 SOS, Philadelphia, PA The emergency number for the home office is 215-244-1500.

International SOS Alarm Center, Moscow Telephone: (+7-495) 937-64-77 Fax: (+7-495) 937-64-70 / -72

E-mail: mowopsmed@internationalsos.com

AEA International Worldwide emergency assistance Almaty, Kazakhstan Dr. Francois Gourraud, Medical Director for Central Asia Telephone: (7-3272) 581-911 or doctor on call at (7-3007) 441-111

Local Time, Business Hours, and Holidays

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Local time is one hour ahead of Moscow in the summer and two hours ahead in daylight savings time or 9-10 hours ahead of the U.S. east coast. Businesses are generally open from 9 to 6, Monday through Saturday.

2010 Turkmenistan Holidays are:

January 1	New Year's Day
January 12	Memorial Day
February 19	National Flag Day
March 8	International Women's Day
March 22	National Spring Day
May 18	Day of Revival, Unity and Poetry of Magtymguly Pyragy
October 6	Remembrance Day
October 27-28	Independence Day
December 12	Neutrality Day

Additional National holidays of KURBAN BAIRAM (70 days after Oraza Bairam) and ORAZA BAIRAM (end of Ramadan) – the dates to be determined by lunar calendar and announced by Turkmen Government as non-working days.

Temporary Entry of Materials and Personal Belongings

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Turkmenistan customs authorities may enforce strict regulations concerning temporary importation into or export from Turkmenistan of items such as carpets, jewelry, musical instruments, pieces of art, archaeological artifacts, antiques, protected animals, etc. It is advisable to contact the Embassy of Turkmenistan in Washington for specific information regarding customs requirements. Travelers who wish to take carpets out of Turkmenistan must obtain a certificate from the Carpet Museum in central Ashgabat indicating that the carpet is not of historical value. In addition, buyers may have to pay a tax calculated according to the size of the carpet. Travelers who have purchased other items that could be perceived to be of historical value, such as jewelry, have also reported difficulties in taking these items out of Turkmenistan. Turkmenistan's indigenous dog, the Alabay, is considered a national treasure and is banned for export without prior permission. American citizens should also check to ensure that any item they intend to bring into the United States is permitted by U.S. customs regulations.

Web Resources

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<http://travel.state.gov>
<http://www.turkmenistanembassy.org>
<http://www.unitedstatesvisas.gov/>
<http://turkmenistan.usembassy.gov/>

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Chapter 9: Contacts, Market Research, and Trade Events

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- [Market Research](#)
- [Trade Events](#)

Contacts

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Ministry of Communications 69 Azady Street Ashgabat, Turkmenistan, 744000 Tel: (993 12) 35 44 10

Ministry of Construction and Construction Materials Industry 56 Alisher Navoi Ashgabat, Turkmenistan, 744000 Tel: (993 12) 51 15 04

Ministry of Motor Transportation 95 Azady Street Ashgabat, Turkmenistan, 744000 Tel: (993 12) 51 13 05

Turkmenavtoyollary (road construction) 95 Azady Street Ashgabat, Turkmenistan, 744000 Tel: (993 12) 51 07 00

Ministry of Railways 7 Turkmenbashi Shayoly Ashgabat, Turkmenistan, 744000 Tel: (993 12) 35-55-45

Turkmenhovayollary (national airways and civil aviation authority) 3-A Chary Nurymova Ashgabat, Turkmenistan, 744000 Tel: (993 12) 510156

Turkmedenizderyayollary (sea and river lines) 8 Shagadam Turkmenbashi City, Turkmenistan, 745000 Tel: (993 243) 20360/ (993 12) 510429 Fax: (993 243) 20744

State Agency for Management and Use of Hydrocarbon Resources 56 Arçabil Avenue Ashgabat, Turkmenistan, 744036 Tel: (993 12) 403801 Fax: (993 12) 403831 e-mail: stateagency@online.tm

Turkmennebit (oil and gas production) Representative in Ashgabat 56 Arçabil Avenue Ashgabat, Turkmenistan, 744036 Tel: (993 12) 403620 Fax: (993 12) 403622

Turkmengaz (gas production) 56 Arçabil Avenue Ashgabat, Turkmenistan, 744036 Tel: (993 12) 403201/02 Fax: (993 12) 403254

Turkmengeology 56 Arçabil Avenue Ashgabat, Turkmenistan, 744036 Tel: (993 12) 403401 Fax: (993 12) 403439

Turkmennebitgazgurlushyk (construction in oil and gas sector) 56 Arçabil Avenue Ashgabat, Turkmenistan, 744036 Tel: (993 12) 403501 Fax: (993 12) 403144

State Customs Service Adalat Koshgi 2022 Street Ashgabat, Turkmenistan, 744000 Tel: (993 12) 380633 Fax: (993 12) 380665

Food Industry Association Address: 109 Magtymgyly Street Ashgabat, Turkmenistan Tel: (993 12) 351825, 355840 Fax: (993 12) 354781, 511982

Ministry of Water Resources Address: 30 Atamyrat Niyazov Street Ashgabat, Turkmenistan Tel: (993 12) 390615 Fax: (993 12) 398532

Ministry of Agriculture Address: 63 Azady Street Ashgabat, Turkmenistan Tel: (993 12) 356691 Fax: (993 12) 350518

Ministry of Textile Address: 47 Garashsyzyk Street Ashgabat, Turkmenistan Tel: (993 12) 407171, 407034 Fax: (993 12) 355442

Ministry of Health Address: 20 Arçabil Street Ashgabat, Turkmenistan, Tel: (993 12) 400673 Fax: (993 12) 400568

Main State Inspectorate "Turkmenstandartlary" 12 Galkynysh Ashgabat, Turkmenistan, 744004 Tel: (993 12) 495859 Fax: (993 12) 510448

Main State Tax Inspectorate 63 Garashsyzyk Shayoly Ashgabat, Turkmenistan, 744036 Tel: (993 12) 482401/03 Fax: (993 12) 482411

State Commodity and Raw Materials Exchange 111 Magtymguly Shayoly Ashgabat, Turkmenistan, 744000 Tel: (993 12) 354321 Fax: (993 12) 510304

Ministry of Education 2 Gorogly Ashgabat, Turkmenistan, 744000 Tel: (993 12) 355803 Fax: (993 12) 356672

Ministry of Energy and Industry (power generation and distribution) 6 2008 Street Ashgabat, Turkmenistan Tel: (993 12) 353870, 379459 Fax: (993 12) 390682

Ministry of Trade and Foreign Economic Relations 44 Goroly Ashgabat, Turkmenistan, 744000 Tel: (993 12) 351047, 251578 Fax: (993 12) 395108

Market Research

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To view market research reports produced by the U.S. Commercial Service, please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

(Add link to trade events section of local buyusa.gov website here or just delete this text.)

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

(Insert link to Products and Services section of local buyusa.gov website here.)

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.